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Paranoid Finance

by **Fabian Muniesa**

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Paranoid Finance representing a condensation of the author's earlier theoretical work (for example Michel Callon and Fabian Muniesa 2005 and Muniesa 2014) presents a robust challenge - even a provocation for someone who deals with economic theory. This applies even more to the analyst who self-evidently uses the categories of quantity and quality in economic discourse. I emphasize several moments that explain it.

First, this happens because the book is the work of an author who comes from a field that is externally positioned in relation to the standardized framework of economic theory. Accordingly, arguments of author refer to the economic domain, but the radius of movement of his reflections is exceptionally wide. Fabian Muniesa mobilizes different knowledge that is obviously heterogeneous with regard to the regular logic of economic theory: in the book, one can recognize contents that play a significant role in economic anthropology, and in economic sociology (we can also identify such arguments that are of a philosophical character; for example, questions regarding epistemology in relation to finance).

Certainly, in recent times, due to various and agile argumentation of heterodox orientation, economic theory has at least somewhat opened up to contents that are traditionally outside its domain. But this relationship is still debatable. The position expressed by certain influential economists (that economic science is only an "imperial science", because it can impose its categories on other social sciences) can still be recognized in some argumentation, even if implicitly. In any case, economic theory is still deeply challenged with the indicated approach.

Second, provocativeness is also shaped by the fact that the author of the book intends to deconstruct the basic category of economic thinking, namely, the category of value. Muniesa abstracts from the accounts of heterodox interpreters: if value was of central importance for classical political economy, it was no longer so during the emergence of neoclassical economic theory, which dethroned value by emphasizing the crucial importance of nominal price relations. He puts aside the fact as well that through the pen of Karl Marx, value was exposed to radical reorientation: for the author of the book is more important to indicate that value was created within the framework of the liberalism/political economy-pair and that it has a normative power that casts light on the anticipatory behavior of economic subjects, as well as entrepreneurs who calculate risk with regard to the streaming of time.

Muniesa, therefore, underlines that value refers to the imagined future within the framework of economic activities, but as a category it is extremely “messy” (p. 3). That is to say, this category commands the measurement processes in economic activities. But it also effects the identity of a fact in the world as an “economic thing” that figures as pattern in economic discourses. Or business ethics applies value as a normative blueprint in relation to capitalism, therefore, with normative pretensions, that is, as a highest “moral pattern” that judges the actions of economic actors and the achievement of their rationality. In addition, value appears as superior in relation to price dynamics, that is, value is a meta-category in relation to the price: we should not forget that money itself and its derivatives cannot be used in economic affairs without a value horizon.

Obviously, there is heterogeneity in the application of the concept of value, and it is not easy to coordinate between them. The author of this book, however, does not intend to clear up the confusion, but only emphasizes that value must be understood as a realized form of authentic normativity, that is, in the context of the dichotomy between “value” and “non-value” (under this should be understood “enemies of value” such as “waste”, or “dilapidation”, etc. (p. 5).

Finally, the figuration of value (which Muniesa presents as a manifestation of continuity from classical political economy to Irving Fisher) embodies theological determination: namely, value is “invisible”, and “true”, and it is supposed to be a God-like creature that orients the trajectories of economy. Consequently, there is some inherent “fundamentalism” in the category of values itself, which is the source of the paranoid configuration - that is mentioned so many times in the book. In other words, the value becomes valid in the economic sense by this theological moment that enables the parameterization of the economy in order to establish its metric dimensions.

Muniesa finds it relevant to distinguish between “speculative value” and “fundamental value” (p. 12). But, he does not accept the frequent lamentation on the speculation, which is identified as the bearer of economic decadence. In fact, the usual criticism of speculation, or of speculative value, is based on the mentioned fundamentalism of the category of value. According to a liberal interpretation, the market itself can deliver authentic value against deviant speculative projections, as it can create a framework for the legitimate game between current and future prices. In the framework of “fundamental values”, Muniesa recognizes a certain type of power that is embodied exactly through value: it is power that conquers the future, that is, it applies the future to the present so that a certain asset generates profit. In reality, the mistaken and fruitless criticism of speculation falls into a trap, because it assumes the existence of authentic value, and does not know the importance of performativity in economics.

Thirdly, Muniesa operates with concepts that are extremely unusual, moreover, irritating for the well-established conceptual paths of economic theory. The title already moves in this direction: “paranoid finance” - it is about the situation of value in the sphere of finance, which is treated here as the inherent potential of “paranoid” constellation in the same sphere. But there are also such terms as “phantasmal power” (precisely due to the value category), “paranoid culture”, “schizophrenia” or “obsession”. Finally, finance, which is anyway the main subject of this book, is *per se* determined by paranoid character (p. 86).

It hardly needs to be explained that this kind of use of the indicated terms seems shocking to the economist, because it calls into question her standard approaches. In fact, the general narrative about value follows this claim about paranoid bias and at the same time addresses the mainstream of economic theory *as the real source* of this bias - no doubt, it is a sharp assessment that situates the “mainstream” in an extremely critical context.

In other words, paranoid aspect of finance is not a deviation, but rather the expression of mainstream logic in economic discourse. That is, it would be wrong to interpret the author’s procedure in the sense that he finds paranoidness as manifestation of the erosion of financial rationality, or that he has an interest in separating financial rationality and irrationality. On the contrary, his claim is that the necessarily “overabundant” financial rationality is the genuine source of “delirious form” (p. 11) of finance.

Therefore, the conceptual armature of the book requires a special effort on the part of the economist, as a readiness to receive concepts that shed light on the economy from a special angle. Muniesa, in actual fact, goes behind the established meanings of key economic categories in order to show how far they are from being evident, therefore, they are the *product*, that is, the *effectuation* of certain processes. Actually, he is situated in a methodological orientation that puts performative effects in the foreground. More precisely, he draws the economic sphere into the domain of performativity. In addition, it can be said that this is an orientation that does not only refer to the economic discourse, but wants to cover all theoretical segments that try to articulate social flows. In a word, an ambitious pattern is offered here with a broad reach in terms of the logic of social sciences in general.

If we want to recapitulate in one move the direction of this orientation, then we could say the following: *economization as a constitutive category in relation to the economy, or marketization as a constitutive in relation to the market* (Koray Çalışkan and Callon 2009).

The fact that the argument here is developed starting from economization/marketization, that is, from complex procedural moments, intrudes into the understanding of reality, that is, into the very essence of economic reality. Namely, this mode of reality cannot be assumed as a previously existing framework of meaning that can be better or worse reflected by economic agents (“agencements”), but it is *constructed* by certain actors, including economic theorists - that economic theorists create through economics what we too self-evidently call “economy” has actually been noticed a long time ago, but with the logic of performativity this course takes adequate form.

Regularly, economics is shown as a set of meanings that is appropriated by the efforts of economic theorist. Better knowledge presupposes more effective appropriation of economic reality. All this reflects only a certain (ideological) understanding of the epistemology of economics. But, here, the “economy” is the effect of different normalized knowledge-forms, selective activities (separation of economic from non-economic), and different power technologies that are applied for the sake of creating the “economy”.

We could say that the interpretation of economic dynamics as a performative activity positions economic agents in a radically *non*-passive position in relation to economic reality, which is no longer presented through the figure of representation. Thus, the economic theoretician does not place himself in the status of a subject who articulates the pre-given economic world with shaped knowledge, but who knows/can *produce* it. Thus, constructivism is inscribed in the position of an economic subject, which opens up different paths and towards the possibility of situating power in relation to economic subjects. Constructivism means that a priori there is no "economic thing" as such, but there are only different practical mechanisms that create economic categories, as well as what we perceive as an economic thing (in certain places of the book, relating to law/finance, the special performative effects of law are presented concerning the finance).

The notion of a performative effect, which also implies a certain type of theatrical presentation, (at least according to some interpreters, Callon, for example), stems from a branched tradition of pragmatism. However, the complexity of the term itself is not easy to encompass, and the interpretation tradition itself is not unreservedly authoritative on the occasion of the determination.

It is expedient to distinguish here two opposite approaches against which the logic of performativity can be successfully opposed (on this distinction Çalışkan and Callon, *ibid*, p. 375).

The first logic advocates *formalism* as the authoritative definition of economic determinations. Neoclassical economy (or its derivatives) with its emphasis on relationship between means and goals, as well as with the indication of metric dimensions, and with the affirmation of choice as the embodiment of freedom, is a paradigmatic example of this. In fact, contemporary economic discourse with its mathematization and modeling of economic reality largely follows the logic of formalism as a framework for thinking about economic dynamics.

The *second* logic will rely on the *substantive* logic, which enables, on the basis of certain substantive categories, the content-prior determination of the economy. Based on this, the content of economization can be determined, so to speak, meta-historically, and it can be applied in any period of history.

Theories of performativity are looking for a *third way* in relation to the presented scheme of opposing paradigms. The fact that in *Paranoid finance* there are no metric dimensions that interpret the dynamics of (financial) quantity can be explained on the basis of the formed distance from formalism. But we should point out: theorists of this orientation offer numerous case-studies, i.e. realized studies on statistics, marketing, managerial performances, rating procedures, in addition, they very convincingly break established notions about the market as a mechanism which is displayed as an aggregate of supply and demand. That is the gist of the ambition - to look at the economy in a completely different way compared to the usual procedures.

Muniesa, not by chance, especially turns to the financial sphere. Let's remember the fact that financialisation has become a frequent subject of economic discussions in recent decades. The explosion of digital technologies certainly contributed to this, because the status of the financial sphere has obviously changed. In fact, the expansion of the financial sphere caused a whole series of questions regarding the fictitiousness of financial instruments, the relationship between the real and the financial sphere, theorists thematize the relevance of derivatives or hedge funds, the far-reaching Black-Sholes-formula, aspects of financial (ir)rationality, relationship between volatility and liquidity, exceptional fluidity of financial instruments, and dynamics of financial markets - finally, financialization to a strong degree just brings to the surface the question of the contested meaning of economic reality. That is, it is logical that the phenomenon of performativity is seen precisely in the field of finance, which compels us to rethink the epistemology in economic science. In addition, this is one of the reasons that the explosive volatility of the financial domain is the subject of true fascination for various theorists.

Muniesa first approaches the mentioned sphere by semiotic determinations ("regime of signs", p. 1). But it must be said that not only financial patterns, but capitalism itself is treated in the form of the machinery of signs. In any case, the fact that Muniesa emphasizes "troubles with the financial imagination" is proves to be only the expression of his basic procedure. Looking at the financial sphere through a semiotic prism, he is in accordance with the ideas of the logic of performativity. Although we can say that it is not the only place where terms that denoted linguistic moments appear. This is how metaphor is identified as a determining instance for the construction of political economy (p. 16) as well, moreover, the very separation between "good" and "bad" value hides a metaphorical nature, too. I only incidentally mention that the significance of metaphoricity can be found in other orientations within the framework of economic discourse - economists have recognized the relevance of metaphoricity for the development of economic discourse (Donald N. McCloskey 1995 and Catherine Resche 2022).

If I said a moment ago that the phenomenon of performativity also manifests a certain power of economic actors who create the economy, then it must be recognized here as well. In accordance with this, finance in the perspective of Muniesa refers to "production of money" (p. 1). At the same time, it is important here that money itself multiplies autopoetically, that is, money is the material for the creation of additional money: this is the essence of the unstoppable dynamics of the financial sphere. Thus, for the author, finance will be "ideology", a set of activities that has the power of "justification", or "making sense of the things" (*ibid*.). Finance is thereby attributed a special power in capitalism, it is a special regime of signs within the framework of the order of power. At the same time, power is realized in the full producing the "meaning of things" (p. 87).

Muniesa also attributes power to metaphors regarding finance: this is again in line with the performative orientation - after all, metaphors are also understood in a semiotic context. Metaphors can be identified as channel of power related to the qualification-selection of things in the sense of affirming a certain value. To quote: "for there is power in the fantasies of value creation: the power of metaphors that can foster hopes and fears, creating orientation and disorientation at once" (p. 18).

Muniesa insists, therefore, that fundamentalism is manifested in value, that value is an axiological category that enables the practice of fundamentalism in economics - it can be used to attack those who devalue values. He also claims that a certain type of "conspirationalism", and "moral radicalism" must be added to the overall picture, which further complicates things. We can read in the book an American libertarian narrative about the projected imperative of the ideological promotion of an authentic value structure - along with a request to change the entire financial structure. Therefore, an apparently non-economic narrative hides within itself a conspirational projection of the transformation of the current financial sphere, which is criticized as inauthentic and morally degraded.

This narrative shows the activity of Qanon, which has existed since the beginning of the last decade, and although it is rarely recognized, it is a civil entity that propagates a radical transformation of the financial sphere. That is, this "assemblage" constructs certain enemies (as it happens with similar actors who parasitize on tropes of enemy), but what is interesting for us is that it happens on the basis of radical demands concerning the monetary sphere.

In other words, the Qanon-orientation has produces the compulsory/moral distinction between "true" and "bad value" and within this religious-libertarian direction, money and finance figure as central elements. The set of economic and political proposals NESARA (National Economic Stabilization and Recovery Act) that was promoted by the corresponding institute appears within the mentioned form. Ideological proposals such as the definitive abolition of the Federal Reserve System, the rehabilitation of gold as a measure of value, the abolition of the income tax prove the libertarian provenance. Moreover, at the beginning of the current millennium, the concept expanded into GESARA (Global Economic Security and Reformation Act).

Muniesa devotes full attention to the mentioned projects wanting to show the intense conspirational logic that is based on the restoration of true value and in which very different elements, from financial to religious, interfere. Moreover, here he finds it appropriate to mention the rise of Bitcoin, which can also be seen in the perspective of "radicalization of financial imagination", and „paranoid regime of signs" (p. 47).

Muniesa therefore shows that the radicalization of value is an immanent possibility of the financial construction itself. He seeks the possibility of criticism of finance, at the same time he is not satisfied with the existing forms of criticism, which for him are in trap - as long as the same criticisms remain within the framework of value. Although the term neoliberalism appears only once in the book, it seems that Muniesa is not satisfied with the way neoliberalism is too quickly equated with the dominance of finance. For him, the mainstream (which still rules economic theory) is deeply connected to "paranoid finance".

Muniesa wants to affirm the claim that in the metaphor of value, without which the economic discourse cannot function, there are also theological and spiritual elements that can be discovered in such domains that are otherwise treated as the embodiment of financial rationality. The fact that the theological component appears in the context of finance may seem unusual, but Muniesa offers strong arguments with this combination of theoretical argumentation and a narrative about a separate libertarian-spiritual movement. His anti-positivism, which is powered by the logic of performativity in economics, cannot be situated either in the framework of heterodoxy, nor in an orientation that carries the intentions of critical political economy - heterodoxy for him only repeats the actions of orthodoxy. In truth, these directions are not free from the orientation to identify authentic value *versus* non-authentic (speculative, etc.) value. Although he is aware of the difficulties that arise for economic discourse from the demand that proclaims value for the “true enemy” (p. 83).

Paranoid finance does not end the text in the strict sense of the word, rather it announces the process of further deconstruction of value that could bring us closer to an alternative critique of finance. It would have been interesting to follow, for example, how securitization (so important in finance) takes on meaning in the context of the logic of conspiracy. Although the otherwise mentioned distinction between critical political economy and critique of political economy as a possible bearer of the same criticism (p. 83) remains undefined, I think that the provocation of this small book is worthy of serious attention.

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