Individual Judgments, Social Values, and Mimetic Interactions

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INET Hong Kong Talk (4 April 2013)

"Changing of the Guard?" INET Conference 2013

The problem of value has always occupied a central place in economic thought and debate. Joseph Schumpeter maintained that value "must always hold the pivotal position, as the chief tool of analysis in any pure theory that works with a rational schema." The theory we use still today, neoclassical theory, was the direct result of a conceptual revolution—the marginalist revolution—whose object was in fact just this: value.

The fundamental neoclassical assumption is that questions of value and evaluation are, at bottom, a function of individual judgments. This is why economic theory still takes as its point of departure the analysis of individuals and their desires. "The ultimate goal of human action," as Ludwig von Mises put it, "is always the satisfaction of the acting man's desire. There is no standard of greater or lesser satisfaction than individual

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judgments of value." Accordingly, the market has come to be understood as the place where individual desires come into contact and where they are made compatible with one another: "The forces determining the […] state of the market are the value judgments of these individuals and their actions as directed by these value judgments. […] There is nothing inhuman or mystical with regard to the market. The market process is entirely a resultant of human actions. Every market phenomenon can be traced back to definite choices of the members of the market society."

This idea is not peculiar to the Austrian school. It is shared by all neoclassical economists. They believe that the consumer is king, because it is the consumer who determines value. It is the consumer who determines what should be produced, with what qualities, and in what quantities. It is the consumer who determines the prices of goods as well as the prices of all the factors of production. This way of conceiving of value stands opposed to another view—the view which I advocate, and which is widespread in the other social sciences, namely, that values are grounded not in individuals, but in society itself. Values, in other words, impose themselves on individuals and shape the way they look at the world. We are therefore faced with two conceptions of value: one corresponding to the "bottom-up" logic of economics, the other to the "top-down" logic of the other social sciences.

The advantages of a top-down approach to value in thinking about economic reality can readily be seen by considering two examples. The first has to do with the desire that consumers feel to possess commodities, whether cars or computers or anything else. It is not an entirely subjective or personal phenomenon, as neoclassical theory insists, for it is created by society itself. The desire for commodities imposes itself

on consumers not only through advertising, but also, more generally, through a certain way of living, which sets an example that everyone (or almost everyone) feels obliged to respect and conform to. Similarly, during a speculative financial bubble, investors are much more at the mercy of price movements than they are in control of them. Investors are carried away by a collective dynamics that altogether transcends them as individuals. Looking at the 2003-2007 period, for example, one observes an astounding increase in the size of the credit default swap market. The gross notional value of outstanding CDS contracts has been multiplied by 15 (ISDA) ! Even though these securities were practically non-existent before the turn of the century, by the end of 2007 its notional value had surpassed the stupendous figure of $60 trillion—making credit default swaps the most widely traded derivative products in the world after interest rate contracts. Growth on this scale requires what Émile Durkheim called "effervescence," a kind of collective fervor and mutually reinforcing belief that individualistic theories of economic behavior are incapable of accounting for. Something more than the calculations of individual investors is at work here. For it is not investors who are sovereign, but the market itself by virtue of its capacity to influence their judgments. On this view, value is a power that acts on economic agents and forms them in its own image. And yet it is also determined by the interaction of these very same agents.

The challenge to economists, then, is to figure out how to model the paradoxical conception of value as a power that arises from market behavior while at the same time governing this behavior. It seems to me that the mimetic hypothesis developed by the philosophical anthropologist René Girard provides a good basis for the formalization of this idea. Girard likewise rejects the picture of the sovereign individual, of the person

who is the master of his own desires. But if the individual does not know what he desires, what does he do when he finds himself forced to choose? He leaves it to others to decide for him. In other words, he selects a model and imitates it. The fatal objection that Girard levels against Freudian psychoanalysis applies no less forcefully to economic theory: "When modern theorists envisage man as a being who knows what he wants," Girard says, "they may simply have failed to perceive the domain in which human uncertainty is most extreme. Once his basic needs are satisfied (indeed, sometimes even before), man is subject to intense desires, though he may not know precisely for what. The reason is that he desires *being*, something he himself lacks and which some other person seems to possess. The subject thus looks to that other person to inform him of what he should desire in order to acquire that being."

This is a very suggestive insight. For it is obvious that actual economic subjects are highly sensitive to the influence of others, precisely because they are unsure what it is they want. They are not closed in upon themselves in the manner of *homo œconomicus*. Instead, their judgments are formed on the basis of the judgments of their neighbors. There are many instances of mimeticism in this sense—so many, in fact, that its reality is incontestable. The effect of recognizing the role it plays in economic life is to subordinate individual judgments to the sway exerted by majority opinion. The power of society now becomes palpable, indeed almost visible.

The second example to which I should like to call your attention today is an experimental result that bears upon the behavior of a group in which each member behaves mimetically. One thinks quite naturally in this connection of a financial market in which each investor seeks to anticipate what the price of a security will be. John

Maynard Keynes famously likened it to a newspaper competition in which readers have to guess which six faces from a hundred photographs most readers would consider the prettiest. This is an essentially mimetic dynamic, since personal opinions play no role. As Keynes put it, “each competitor has to pick, not those faces which he himself finds the prettiest, but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view.” What matters, then—the only thing that matters—is the judgment of others. Keynes himself had nothing to say about the sort of opinion that emerges from such a contest. But in a study of pure coordination games published in the June 1994 issue of the *American Economic Review*, Judith Mehta, Chris Starmer, and Robert Sugden showed that a majority opinion does in fact emerge. Lo and behold, it turns out that the majority opinion does not coincide with the personal opinion of any of the players. This is a very powerful result. It tells us that when economic agents seek to discover which opinion is most likely to be arrived at by a majority of agents, they are led to concentrate on what Thomas Schelling called “focal points,” or salient opinions—and that there is no reason whatever to suppose that a salient opinion will actually be the same as the personal opinion of any individual agent.

This collective mimetic dynamic illustrates the top-down logic that is characteristic of value, which is to say the logic of a social fact that forcibly impresses itself on people’s minds. The valuation that emerges in a mimetic group has nothing in common with this or that personal opinion, or even with some aggregate of personal opinions. Instead it displays a certain autonomy, or independence, with regard to the entire set of individual judgments, having been produced by what may be called a process

of self-transcendence or self-exteriorization, in which the result that is finally arrived at corresponds to no one person's evaluation, because it is the evaluation of the group as a whole.

The mimetic hypothesis provides a solid analytical foundation for this novel conception of value—novel, at least, in economic theory. Not only is it consistent with the empirical reality of economic agents who are influenced by each other's behavior, it also permits the collective dynamics that give rise to self- transcendence to be explored and formally described, while at the same time revealing the primacy of social forces over individual judgments.

Translated by M. B. DeBevoise