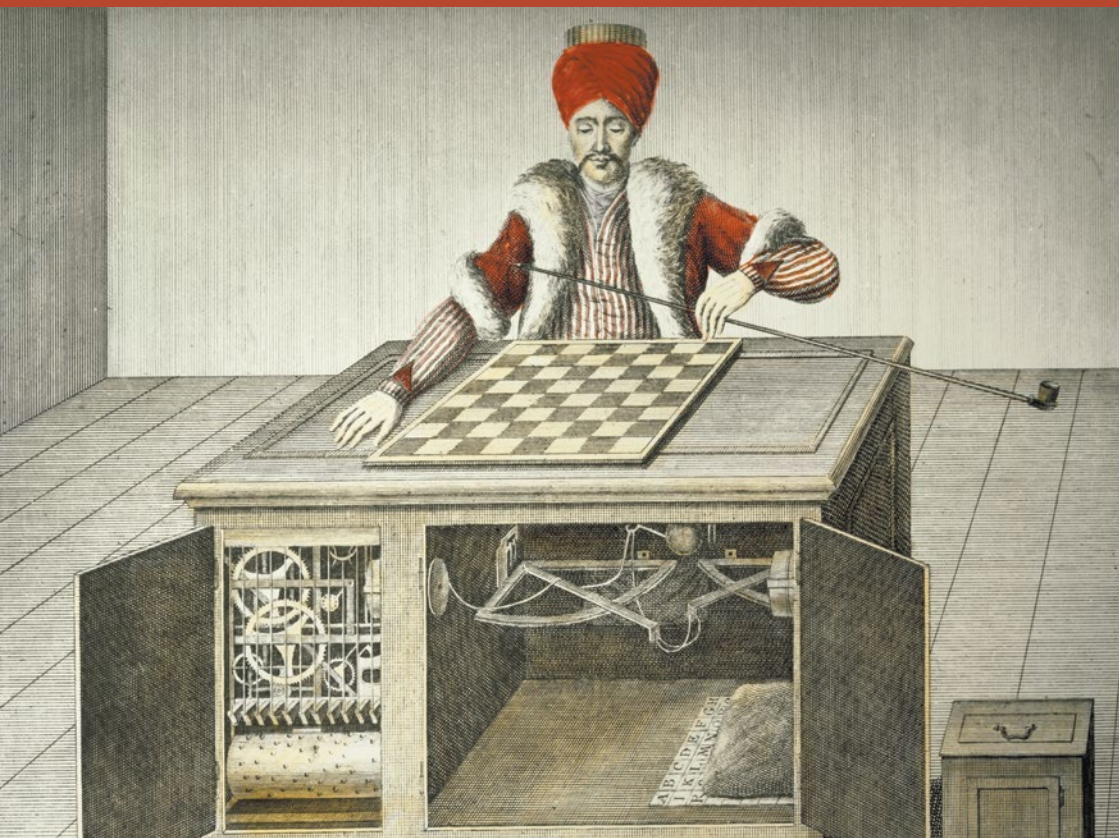


Perspectives from Social Economics

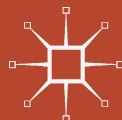
ENACTING DISMAL SCIENCE



NEW PERSPECTIVES ON THE
PERFORMATIVITY OF ECONOMICS

EDITED BY

**IVAN BOLDYREV AND
EKATERINA SVETLOVA**



Perspectives from Social Economics

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The Perspectives from Social Economics series incorporates an explicit ethical component into contemporary economic discussion of important policy and social issues, drawing on the approaches used by social economists around the world. It also allows social economists to develop their own frameworks and paradigms by exploring the philosophy and methodology of social economics in relation to orthodox and other heterodox approaches to economics. By furthering these goals, this series will expose a wider readership to the scholarship produced by social economists, and thereby promote the more inclusive viewpoints, especially as they concern ethical analyses of economic issues and methods.

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Editors

Enacting Dismal Science

New Perspectives on the Performativity of
Economics

palgrave
macmillan

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Perspectives from Social Economics

ISBN 978-1-137-49210-4

ISBN 978-1-137-48876-3 (eBook)

DOI 10.1057/978-1-137-48876-3

Library of Congress Control Number: 2016943198

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After the Turn: How the Performativity of Economics Matters

Ivan Boldyrev and Ekaterina Svetlova

1.1 EXPLAINING THE TURN

We bet notable macroeconomists, Alan Blinder and Charles Wyplosz, never heard of the ‘performativity of economics’ when they stated that ‘the main purpose of central bank talk is to help markets “think like the central bank”’ (2004, 7). It is, however, striking, that so many different aspects of what is commonly called ‘performativity’ are entangled in discussing central bank communication—a theme which is currently at the heart of macroeconomic debates. All our intuitive notions—to be explained below—are here: the context of economic governance, the inherent sociality of language, the role of explicitness, the importance of signification, and the enactment of ideas and theories. For successful performance of a central bank, successful communication is crucial. To govern, one has to use the resources of language, to create a community

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of those who comprehend one's message, to make explicit one's commitments, and, finally, in and through communication, to enact *the very economic theory* stating that central bank communication is essential for channeling economic agents' expectations and eventually for the proper functioning of this institution.

This is of course only one example of economics *not merely describing or explaining, but also actively shaping the economies*—this is how *performativity* is most commonly understood. The recent emphasis on *economics* in the performativity debate is not surprising: many studies document how a very—perhaps, the most—influential social science participates in building up social reality. The performative move thus refers to the venerable epistemological question of the *relation between 'reality' and 'theory'*, but goes beyond the traditional idea of economics describing more or less adequately some supposedly 'real' processes.

This performative turn took place at the beginning of the new millennium and culminated in books such as *An Engine, Not a Camera* (MacKenzie 2006) and *Do Economists Make Markets?* (MacKenzie et al. 2007). Afterwards, the performativity research proliferated. However, these new studies were not a replication of the essential work on performativity: We could clearly observe the drift toward a new understanding of the concept. In this new—'after-the-turn'—research, the focus has been shifted from the investigation of the one-way link 'theory → reality.' The search for a general proof that this link exists—in more or less strong form—was recognized by many as futile. Today, the performativity concept moved from the theoretical debate about the link between abstract theories and economic reality toward empirical studies of how this link works in various applied fields. There was a drift toward investigations of *performative practices*.

This shift had consequences. On the one hand, the proliferation of empirical studies diluted the term 'performativity' often reducing it just to a ubiquitous catch-all concept. One might deplore the limited theoretical advancement in the field. On the other hand, what we can state with certainty is that, in the last years, performativity became a part of the DNA in the social studies of economic phenomena. The performativity program delivered a framework for the discussion of what economic professionals do and, more generally, of what happens in economics.

In fact, it is now well established that economic theories of various kinds define standards of rationality and categories of risk, determine the rules undergirding investment decisions, influence macroeconomic expectations, and formulate microeconomic incentives. The performativity perspective also pertains to the phenomena of marketization, indoctrination, diffusion of theoretical knowledge via expertise, creation of new languages and ideologies. Economists formulate the norms for reconfiguring markets (Garcia-Parpet 2007; Holm and Nielsen 2007) and set criteria of efficiency (Breslau 2011, 2013); manage identities and produce subjectivities—be it through business education (Ghoshal and Moran 1996; Ghoshal 2005) or consumer testing (Muniesa 2014); they also specify policy agendas and generally play a crucial role in institutional design both by directly intervening and by providing a relevant ‘cognitive infrastructure’ (Ferraro et al. 2005; Friedman 2010; Hirschman and Popp Berman 2014). Choosing a pension plan in the US pension system with the mechanism of choice devised by experimental economists (Thaler and Sunstein 2008); taking part in the auctions following the rules formulated by the teams of game theorists and economic experimentalists (Guala 2001; Nik-Khah 2008; Boldyrev 2012, 2013); investing in index funds as embodiments of efficient market hypothesis in financial economics (MacKenzie 2006); establishing incentive systems inspired by microeconomic theory (Dix 2014; Herrmann-Pillath, this volume); confronting people with questions they never thought of before and thus constructing their preferences (Kahneman and Tversky 2000; Muniesa 2014); using a micro-credit scheme in Bangladesh or India on the terms proposed by experimental development economists (Banerjee and Duflo 2011; Favereau and Brisset 2013; Davis 2013)—all these actions suggest the ways economics helps in creating its own realities and attempts to make the agents, material infrastructures, and knowledge converge and mutually stabilize each other. Small wonder that in the postcrisis neoliberal era, the role of economists in facilitating (or neglecting) major economic instabilities sparks controversies (Krugman 2009; Hodgson 2009; Caballero 2010; Mirowski and Nik-Khah 2013).

The interest of performativity lies precisely in its radical stance: in blurring or at least questioning the boundaries between research and its object, in focusing on knowledge and its pragmatic realizations, we both challenge traditional epistemology and address the very texture of social life. That is why clarifying the meaning of performativity eventually matters for

understanding the social. The studies on various ‘performative practices’ imply that the link between ‘theories’ and ‘economic reality’ cannot be understood in terms of a mechanical, one-way influence. It could be empirically demonstrated that clear distinction of this kind is often not possible. ‘Realities,’ while being theoretically assembled, also shape theories (via statistical data or observations).

This volume brings together sociologists, philosophers, and economists to investigate these recent developments in the performativity program. On the one hand, the volume’s contributions continue theoretical work and discuss conceptual issues underlying the performativity of economics. On the other hand, some chapters follow more closely the empirical development in performativity studies. Overall, the texts scrutinize the concept’s potential within the range of various disciplinary and empirical contexts. We hope that contributions in this book give an idea about what has happened in the performativity research in the last years.

Our task here is to introduce these contributions by providing some more context for them. In our overview (which remains necessarily selective!), we will name more explicitly the novelties recently brought about by the performativity program, the main critical arguments against performativity, and the perspectives opening up in this volume and beyond. Given the importance of the topic and the insightful debates over performativity so far, it is now high time to take stock.

1.2 SOME PREHISTORY AND BASIC IDEAS

There is no such thing as *the* performativity, for the idea of performativity travelled across various disciplines and theoretical discourses. While travelling, the concept changed its meaning. Performativity originated in the linguistic philosophy of John Austin (1962) who suggested a pragmatist account of language as something going beyond the mere description of the world ‘out there’ and, in fact, discovered the whole region of performative linguistic practices.¹ Subsequently, the idea of performativity was debated within the philosophy of language (Searle 1969; Derrida 1988) and was reappropriated in the political philosophy of gender (Butler 1990, 1997). Importantly, the discussion transcended the domain of linguistics, and the concept of performativity migrated into the sociology of scientific knowledge.

Many different lines of thought came together in this new movement. We can trace its inspiration back to Karl Marx (and, more recently, perhaps,

Pierre Bourdieu), claiming that social knowledge is historically situated and always already a weapon in social conflicts; we can think of Max Weber's and Karl Polanyi's theories of rationalization prefiguring modern ideas of economization, with the economic as both a social force and an epistemological resource in the overarching historical process of modernity; we might refer to pragmatist ideas of reality/action happening and being justified only in its practical consequences and not in its factors that precede actualization, the 'role' being real only in its performance, with no backstage behind, as Judith Butler would claim; we can recall the work of Michel Foucault who, in his studies of neoliberalism, reconstructed the idea of *governmentality* and demonstrated the decisive role played by economic knowledge in making society and subjectivity amenable to the rule of economic calculation and governance; and we should not forget many important constructivist accounts in the sociology of knowledge and science studies (Knorr-Cetina 1981; Barnes 1983; Pickering 1995; Bloor 1997) as an immediate precursor.

In fact, science and technology studies (STS), particularly in its specific tradition of the actor-network theory (ANT) (Latour 2005; Licoppe 2010 for an overview), formed the context for the major statements of performativity (Callon 1998a, 2007b; MacKenzie and Millo 2003; MacKenzie 2006). With its ideas of sociotechnical *agencements*—that is, arrangements endowed with agency—and *performance* (Callon 2007b), ANT reconfigured debates around the performativity of economics. For ANT scholars, economic knowledge does not merely 'construct' its own reality; it is not simply the production of the mind existing prior to its sociotechnical embodiment. Rather, many intermediaries and hybrids are at work in the process and the struggles of performance; it is a complex interaction of human and non-human technical entities that makes it possible for economists to act as social engineers and for economics to perform itself. Distinctive of this approach is thus its emphasis on material technologies—primarily in finance.

The turn to performativity involved some broader intellectual and institutional shifts. First of all, ANT scholars who had previously dealt primarily with (techno)science, focused on economics and finance as specific knowledge regimes and on the technologies created and sustained with the participation of economists and finance scholars (MacKenzie 2006). On the other hand, the performative program clearly set the agenda—at least in part—for the new economic sociology of markets (Pinch and Swedberg 2008; McFall and Ossandón 2014; Sparsam 2015).

The markets themselves were reconceptualized as ‘calculative collective devices’ (Callon and Muniesa 2005) and it was suggested that economic sociology refuse to treat economics as something utterly abstract. As Preda (2009, 119) formulates, ‘the tables has been turned, in the sense that from being unrealistic, [economic] theoretical models have been characterized as being too realistic—not in the sense of an accurate representation, but in the sense of generating the phenomena they describe.’ This also involved a shift from economic sociology to the sociology of economics (Fourcade 2006, 2009)—without, however, abandoning the sociological study of markets, but rather discovering its new, ‘performative’ dimension. A cross-fertilization of fields is clearly discernible here. Economic sociologists working on the construction of markets and ANT scholars discovered each other, the authors writing on economic matters learned more about STS and post-structuralist philosophy, while science studies authors saw how economics—and also marketing or accounting (see e.g., an overview in Vosselman 2014)—could provide fascinating material for them.²

As a consequence of this long transformative history of the performativity concept, researchers of various disciplinary lineages use or criticize the notion of performativity while picking out of the menu ‘from Austin to MacKenzie.’ This menu was recently ‘fanned out’ by Gond et al. (2015) who identified five central blocks of performativity studies: *doing things with words* (Austin); *searching for efficiency* (Lyotard); *constituting the self through citation* (Derrida, Butler); *bringing theory into being* (Callon, Latour, MacKenzie); and finally, *sociomateriality mattering* (Barad). Performativity concepts of various kinds were applied in organization and management studies to develop, for example, storytelling and critical discourse analysis in Austinian mode or to perform gender and identity analysis relying on Butler. These attempts, scattered and not always compatible with each other, suggest that there is hardly anything like a ‘theory’ of performativity—rather, this is a set of more or less shared intuitions and concerns.

However, from being a buzzword, performativity has become a guiding concept for the wealth of empirical work in the fields ranging from social studies of finance (MacKenzie and Millo 2003; De Goede 2005; Vollmer et al. 2009; Carruthers and Kim 2011; Zuckerman 2012; La Berge 2016) to statistics (McFall 2011; Sætnan et al. 2010) and from management and organization studies (D’Adderio and Pollock 2014; Gond et al. 2015) to social network analysis (Healy 2015). When it comes to the concrete applications, scholars use the notion of performativity that suits them more.

This inevitably leads to controversies and misunderstandings. Researchers often talk past one another enhancing the confusion.³ By further engaging with performativity in this book, we demonstrate how this concept *works*—which, in a pragmatist mode, would contribute to understanding it.

It is not always helpful to strictly distinguish performativity ‘as such’ and performativity of economics, for many scholars regard them as synonymous, or at least make recourse to the heuristics behind various meanings of performativity. What we increasingly observe in the performativity debate is the effort to integrate the existing performativity concepts into one. This happens also in the debates on the performativity of economics. There is a generally shared understanding that economic ideas and models change, shape, and construct economic reality; they are both governing the behaviors of agents, and in many ways, conditioning the very existence of those behaviors, thus (co)constructing—or ‘provoking’ (Muniesa 2014) the ‘agents,’ phenomena, and institutions they deal with. In short, performativity always concerns *entanglement of knowledge, institutions, and practices*.

This generalized perspective on performativity might help avoid many dead ends and bitter unresolved disputes.⁴ The understanding of performativity as *performative practice* (e.g., Cabantous and Gond 2011; Mason et al. 2015) and not merely as a theoretical construction of reality is one such way to reconcile positions. According to this understanding, theories are always a part of their application, while the business of applying them is in multiple ways embedded into theoretical work; moreover, important theoretical work is in part directly conducted by practitioners. Some recent examples will help illustrate this.

Performative practices figure prominently in the discussions of applied economic disciplines. Thus, Mason et al. (2015, 10) claim that the mobilization of performativity concept in marketing and market studies helps ‘to unearth how marketing theories are shaped by market actors (academics and practitioners alike) who pick up theoretical tools and put them to work, and how such theories may come to influence market and marketing processes.’ The performative analysis in marketing clearly questions the theory–practice dichotomy and invites us ‘to treat the link between theory and practice as a practical, empirical matter, rather than a topic for discussions in principle’ (Mason et al. 2015, 8; see also Jacobi et al. 2015).

Similar tendencies can be observed in the performativity studies of finance. Thus, Esposito (2013, 102) suggests extending this notion to the entire economy. Performativity, she argues, should be ‘understood as the