

Crisis and the Sacred*

JEAN-PIERRE DUPUY+
[Draft, March 12, 2013]

It would be nonsensical to blame economists for not foreseeing the crisis; even less for causing it. It was obvious there would be a crisis. It was impossible to foresee how it would start and evolve, and at what moment these events would occur. One reason will suffice: in human affairs, and especially where the economy is concerned, a crisis is triggered when one foresees it and announces it, and not at the moment when one foresees that it will occur, so sensitive are present events to the anticipation of future events.

What is in question at the present moment is not finance capitalism; it is not capitalism *per se*; it is not the market, regulated or unregulated, self-regulated or self-deregulated, subject or not to short-selling. It is the place of the economy in our individual lives as in the workings of our societies. That place is immense, and we see this as ordinary. When I write *économie* in French, I refer to two things that are distinguished in English and confused in French—which works to the advantage of French: a part of social reality (“the economy”) and a kind of outlook on the world and human affairs (“economics”). This part and this outlook tend to occupy the totality of our world and of our thoughts. We won’t find in them the meaning of such a massive and extraordinary phenomenon, since the *économie* is both judge and party. Only a distant view that would have successfully detached itself

* A paper read at the Institute for New Economic Thinking Annual Plenary Conference, Hong Kong, April 4-7, 2013.

+ Ecole Polytechnique, Paris, and Stanford University, CA : jpdupuy@stanford.edu

from it can produce philosophical *astonishment* at what seems self-evident to the modern citizen having fully become, unbeknownst to himself, *homo oeconomicus*.

In his last major book, published in 1912, *The Elementary Forms of Religious Life*, the father of French sociology, Emile Durkheim, formulates a thesis that the anthropology of his time had almost rendered banal. In concluding his lengthy work, he writes: “Along the way, I have established that the fundamental categories of thought, and thus science itself, have religious origins. The same has been shown to be true of magic, and thus of the various techniques derived from magic. Besides, it has long been known that, until a relatively advanced moment in evolution, the rules of morality and law were not distinct from ritual prescriptions. In short, then, we can say that *nearly* all the great social institutions were born in religion” (421). What never ceases to amaze is this “nearly,” which I underline, and whose meaning Durkheim explains in a footnote:

Only one form of social activity has not as yet been explicitly linked to religion: economic activity. Nevertheless, the techniques that derive from magic turn out, by this very fact, to have indirectly religious origins. Furthermore, economic value is a sort of power or efficacy, and we know the religious origins of the idea of power. Since mana can be conferred by wealth, wealth itself has some. From this we see that the idea of economic value and that of religious value cannot be unrelated; but the nature of these relationships has not yet been studied. (421)

My work of the past thirty years in the philosophy of economics has been guided by the conviction that not only must the economy be linked to religion if we wish to understand its meaning, but that the economy occupies the place left vacant by the process—eminently religious in nature—of

desacralization that characterizes modernity. It is in this long perspective that the present moment must be inscribed.

The Violence of the Economy

Commentators describing the sudden collapse of the global economy that marked the *annus horribilis* 2008 often use words like “earthquake” or “tsunami.” These clichés have become so commonplace in the media that no one pays attention. There is, however, something shocking *and* profoundly true in the comparison of a moral catastrophe of this scale to a natural catastrophe, something worthy of reflection.

When a wave rises suddenly from the depths of the sea, is propagated at lightning speed and breaks violently on sleepy shores, it does not choose those it carries away nor those it spares. Like Voltaire questioning Leibniz after the Lisbon earthquake, we may say after its passage:

Leibniz can't tell me from what secret cause
In a world governed by the wisest laws,
Lasting disorders, woes that never end
With our vain pleasures real sufferings blend;
Why ill the virtuous with the vicious shares?
Why neither good nor bad misfortune spares? (106)

World champions of financial fraud have paid or will pay, but organizations working for the public good whose only error was to have trusted them have paid as well. It is certain that other swindlers will come out unscathed while flourishing industrial enterprises and well-managed financial establishments collapse. Lucidity and courage require us to acknowledge that evil in this economic world of ours is blind and without intention, and to conclude like Voltaire:

Nor can I conceive how all could be well:
I'm like a doctor, unable to tell.

Two sorts of interpreters of the crisis lack both this courage and this lucidity: those who, no matter what happens, hold doggedly to the doctrine of market “efficiency”; and, at the other end of the ideological spectrum, conspiracy theorists who, viewing capitalism as an omniscient and omnipotent subject, imagine that it continues to enrich the powerful and exploit the poor. They all reassure themselves in believing to find meaning where there is none.

What was shattered in any case is one of the pillars of economic theory: the very concept of incentives. Few theoreticians of the market believe that market sanctions are just; most, beginning with John Rawls, the author of the *A Theory of Justice*, say that they are neither just nor unjust: these predicates have no meaning here. Market valorizations are indifferent to the merit, moral values or needs of agents: A “worthy” doctor knocks himself out working and finds himself in need, but is incompetent. He is swept aside by the competition. Unjust? Justice has nothing to do with it. The rules are the same for everyone, the process is anonymous, without intention, subjectless. On the other hand, the same theoreticians generally acknowledge that there is a meaningful link between the actions of agents and market sanctions—a link that provides *incentives* for them to make reasonable choices which, along with those of others, will tend toward the common good. Our incompetent doctor will change professions and, discovering his true talents, will use them to serve his own interests while serving those of others. It is this intelligible link between what one does and the way the market responds that the present crisis has destroyed or, even worse, whose illusory character it has revealed. Everything happens as if

economic agents were puppets subjected to the whims of hidden gods. This crisis is a crisis of meaning. The disarray it has produced is total.

That the economy is violent is not a new discovery. As regards its capitalist variant, the Marxian demonstration, with its categories of exploitation and alienation, is more valid today than ever. As for its communist variant, the history of the twentieth century suffices to illustrate its horror. The greatest economists have recognized in their own way that the economy was harmful, toxic and brutal. Adam Smith said that it was the source of the “corruption of moral sentiments.” Keynes revealed the mechanisms that could lead it to lock itself into states deleterious to everyone, with unemployment and outlet crisis reinforcing each other rather than activating a return to the full employment equilibrium.

More recent critiques are no less forceful or true. The Frankfurt School, the Illichian critique, political ecology, “Heidegger's Children” (Hannah Arendt, Günther Anders, Hans Jonas), all of these have shown aspects of the violence of the economy.

The Economy Protects Us from Our Own Violence

All of this is well known. What is less well known is that there was a time when the economy was considered to be the only means available to societies in the process of desacralization to *contain* human violence. What is extraordinary is that the arguments put forth in support of this thesis were to a large extent the very ones that critics of the economy used to condemn it. The historian of economic thought Albert Hirschman is credited with having shown this in his book *The Passions and the Interests: Political Arguments for Capitalism Before its Triumph*. Hirschman tells of the emergence, the destiny

and the decline of an idea: that according to which economic behavior, understood as the private pursuit of the greatest material gain, is a remedy for the passions that drive people to excess, to discord and to mutual destruction. In a society in crisis, torn by wars and civil wars, no longer finding an external regulating authority in religion, the idea that the economy could restrain the passions is said to have arisen from the quest for a substitute for the sacred, capable of controlling individual behavior and preventing collective disintegration. Such is the irony of history. As Hirschman writes, “capitalism was supposed to accomplish exactly what was soon to be denounced as its worst feature” (132). The unidimensionalization of beings reduced to making economic calculations, people’s isolation and the impoverishment of relationships, the predictability of human behaviors, in a word all that is described nowadays as the alienation of individuals in capitalist society was, then, conceived as a way of ending the pathetic and murderous struggle for greatness, power and recognition. Mutual indifference and egotistical retreat into the private domain: such were the remedies dreamed up for the *contagion* of violent passions. The authors summoned by Hirschman in support of his thesis are Montesquieu and certain members of the Scottish Enlightenment, such as James Steuart and David Hume.

It is, however, with one of the greatest social philosophers of the twentieth century, secondarily a Nobel Prize recipient in economics, Friedrich Hayek, that this reversal of traditional arguments is most forcefully thought through. This great enemy of Keynes was a marginal economist, ostracized more completely even by neo-classical economists than by Keynesians. And this because he did not much believe in rational choice theory, this foundation

of the neo-classical theory, convinced as he was of the limits of human reason. What I referred to above as an absence of meaning in the economy is what Hayek calls “the blind forces of the social process.” Abandoning oneself to them was paradoxically for him the condition of freedom, of efficiency, of justice and of social peace.

In fact, reasons Hayek, in terms that are at times strangely reminiscent of Rousseau, one of his main “constructivist” enemies, evil occurs when people are dependent on the arbitrary will of another. The condition of freedom is to escape this subordination, the remedy being for everyone to submit themselves to a universal, impersonal and abstract rule that absolutely transcends them. Rousseau wished the laws of the State to have the same inflexibility and the same exteriority as the laws of nature. The laws of the market according to Hayek are even more apodictic and indecipherable since “social complexity” keeps individuals from seeing in these anything other than obscure forces pushing them in a direction they can neither change nor foresee.

But this direction, Hayek assures us, is the right direction. That the market could be efficient without incentives playing a role is the main innovation this Austrian thinker brought to the model of general economic equilibrium, without in the least convincing the profession of economists. To say what Hayek’s arguments are, it would be necessary to explain his theory of cultural evolution and selection, which I am unable to do here. It is, on the other hand, easy to say why Hayek is able to state that this submission to abstract rules and to forces that transcend us even as we have created them is the condition of justice and of social peace. In a word, it dries up the

sources of *ressentiment*, of envy, of the destructive passions. Those whom the market strikes with its full force by taking away their job, their business or even their subsistence are well aware, according to Hayek, that no intention willed this. So they suffer no humiliation.

Is the economy violence, as stated by a tradition that runs from Marx to the present-day critique of capitalism? Is the economy the remedy for violence as is thought in a liberal tradition that goes from Montesquieu to Hayek? Is the economy a cure or rather poison?

The Economy and the Sacred

I was at this stage of my thinking thirty years ago when I saw the means of going beyond this contradiction in rereading Adam Smith. At the same time I discovered the work of René Girard.

I can summarize in an expression, that is much more than a play on words, my interpretation of the Scottish economist-philosopher. It was in proposing a new solution to the “Adam Smith problem”—which is to say the apparent contradiction between his two major works (*The Theory of Moral Sentiments* [1759] and *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776])—that I was brought to this: in Smith, the economy *contains* violence, in both senses of the word. The economy comprises violence, but it is no less true that it obstructs it, as if through the economy violence showed itself to be capable of self-limitation, thus preventing the collapse of the social order.

I must refer here to a complex exegesis (Dupuy 1997). Let me just say just this. One too often hears Smith referred to as the father of economics in that he is said to have invented the model of the “natural harmony of

interests,” to quote Elie Halévy. Individuals moved only by their “egoistic interests” and driven by self-love would produce, unknowingly and unwittingly, as if they were controlled by an “invisible hand,” social prosperity and collective harmony. In a sense, Smith’s philosophy would fall directly in line with the tradition analyzed by Hirschman, except that the passions would have disappeared from the picture.¹

I have pointed out what I believe to be a serious error in interpretation that has spread over the centuries like a legend. In Smith, the interests are contaminated by the destructive passions, which they *contain*, in both senses of the word. One loves oneself only with *amour-propre*, and not with *amour de soi*, in Rousseau’s terms. One must draw to oneself the “sympathy” of others in order to achieve this. If we desire wealth, this is not for the illusory material satisfactions it can provide. It is because it brings us the admiration of others, an admiration tinged with envy. Public prosperity comes at the cost of the “corruption of our moral sentiments.”

It came as a huge intellectual shock when at the same time I discovered René Girard’s anthropology of violence and the sacred, in which I discerned the same structure in the form of a paradox: through the sacred, violence creates a distance from itself so as to more effectively limit itself (Girard). In biblical terms, “Satan expels Satan.”

Reviving a long tradition of religious anthropology interrupted by the second world war and the decades of structuralism and “deconstructionist” post-structuralism that followed, Girard posed anew the question of the origins of culture. As with Durkheim, Mauss, Freud, Frazer, Hocart and many other theoreticians of society, this question is the same for him as that of the

origins of the sacred. The Girardian “hypothesis,” now well known and widely discussed, consists in postulating that the sacred results from a mechanism of self-exteriorization of human violence which, falling beyond the grasp of men in the form of ritual practices, systems of rules, prohibitions and obligations, manages to contain itself. The sacred is the “good” institutionalized violence that regulates “bad” anarchic violence, seemingly its opposite.

The process of desacralization that constitutes what we refer to as modernity is shaped by knowledge that has seeped progressively into human history: and what if “good” and “bad” violence were one and the same? What if there were ultimately no difference? How did this doubt, if not this knowledge, come to us? Girard's answer to this question is equally well known: these “things hidden since the foundation of the world” were revealed to us through the Passion of Christ and the accounts and interpretations of it in the New Testament.

It is not this startling hypothesis that is to be discussed here, but rather the question that is raised and left unsolved by Girardian anthropology. The effect of the Revelation progressively undermines the efficacy of sacrificial systems and we find ourselves alone, face to face with our own violence. Such is the “prank” that is played on us by Christianity—which is why it appeared so dangerous to thinkers like Machiavelli. How can we explain, then, that humanity has not, or rather not yet, met the fate to which probably countless human communities have tragically succumbed throughout the history of the species: self-annihilation through internal violence?

In a book that is now thirty years old, along with Canadian philosopher Paul Dumouchel, I answered: the economy is the continuation of the sacred by entirely other means (Dumouchel and Dupuy). As with the sacred, the economy obstructs violence with violence. With one as with the other, human violence is placed at a distance from itself so as to become self-regulating. This is why, as Hegel wrote, the economy is the essential form of the modern world, which is to say of a world placed in extreme danger by the twilight of the gods.

It is in this framework, it seems to me, that the present crisis must be considered if we are to make sense of it.

Self-Transcendence and Panic

The figure of self-exteriorization is found in economic thought and in social philosophy of an economic bent, like that of Hayek, who prefers to speak of self-transcendence. But it is never presented in the form I have just identified. It is not evil that transcends and contains itself, but good that contains evil (or the end the means) even while using it, resorting to it as a necessary evil as it were, very much in keeping with the classical pattern of theodicy. Bernard de Mandeville's expression, "private vices, public benefits," in which one often sees the birth of "economic ideology" offers a good illustration of this, as does Goethe's definition of Mephistopheles in *Faust*: "a part of that power which always means evil and always does good." The form is that of a hierarchical opposition where the higher level contradicts the lower level from which it originated. What gets lost in the process is the essential sameness of the two levels.

In spite of its considerable mathematical abstraction, the model of general economic equilibrium inherited from Léon Walras and his many successors duplicates the same pattern. It is this model that is criticized today whenever someone states that the crisis has shattered the myth of markets being self-regulating, that they would spontaneously find a way to equilibrium. From which one obviously concludes that it is necessary to regulate them.

There is considerable conceptual confusion surrounding this subject, and category errors abound. Those who voice this critique would have said in a previous era under the influence of Marxism that the fact that the market is self-regulating is the sign of people's alienation in market society, since it means that the market is beyond their control. The critique of capitalism was expressed through a denunciation of the autonomy of the commodity system considered as contrary to democratic principles. And here the critics now blame the same system for its incapacity to organize itself. We, the citizens of democratic societies, must regulate the market since it is unable to self-regulate!

What must be said is that the market, and more broadly the economy, is in fact always capable of organizing itself, but that, on the one hand, this self-organization occurs through the emergence from within of a pseudo-transcendence that will dominate it—the “iron-clad” laws of the market—and that, on the other hand, the consequences of this may be disastrous from the standpoint of efficiency and justice. The market organizes itself even when it goes into panic. This is one of the essential properties it shares with all complex systems where causes and effects feed off each other. It self-

organizes by generating its own exteriority in the form of “forces” that seemingly dominate individual actors while resulting from the synergy of their actions. Starting with the simplest pattern, prices and their dynamics form such an exteriority: actors come up against these and take them for intangible facts while actually determining them through the synergy of their individual choices.² It was Keynes’ genius to have understood that quantities too can be the fixed points of a similar self-transcendence. As a consequence, across-the-board deflationary expectations, businesses taking for granted, as if it were written in the stars, that they will find no buyers and worker-consumers that they will find no jobs, can all self-realize themselves at the same time, stalling the economy and creating an absurd situation that is fatal to everyone.

What must be understood above all is that this self-exteriorization or self-transcendence of the market is the way “Satan expels Satan” in the economy. “Good” violence keeps “bad” violence at bay, but they are both the same violence. Yet analysts of the crisis strive to multiply false hierarchical oppositions between good and evil, the latter being at best a *necessary evil* placed in the service of the former. It is in this way that the “real” economy is contrasted with the “finance economy,” the regulated market with the speculative market, good, positive speculation with short-selling. Distinguishing these categories so as to more effectively ostracize some of them—according to the case, and in increasing order of specificity: the finance economy, the speculative economy, selling short—the rationalist analysis of the crisis reassures by pointing out the guilty. Lucidity and

courage require on the contrary that we identify true similarities behind false differences.

Is the problem really the finance economy, since it would be the place of speculation and hence of illusion, as opposed to the real economy which would be the only one with a positive valorization? Isn't this hasty dichotomy between the bad and the good a form of scapegoating? Speculation, *speculum*, mirror. Where are the mirrors of financial speculation? The speculative gesture consists in buying a good, not because one is attached to it, but because one counts on selling it to someone who desires it more. The mirror is the gaze of the other on the good one acquires. In the world of finance, the "good" in question is most often something written in a book: a security, a stock, a bond, a title, a currency. But the so-called "real" economy, even if it concerns goods or services whose material existence is beyond doubt, is to a large extent subjected to the same logic: we desire an object because the desire of another designates it as desirable. I refer to my reading of Adam Smith. What is wealth? he asks. It is everything that is desired by someone whose gaze we wish to draw to ourselves, our *spectator*. Since both rest on a specular logic, the *normative* opposition between the financial economy and the "real" economy is not serious.

Like the sacred before it, the economy today is losing its capacity to produce itself the rules that limit it, in other words self-transcendence. Such is the profound meaning of the crisis. Greek mythology gave a name to what happens to a hierarchical structure ("hierarchical" in the etymological sense of a sacred ordering) when it collapses on itself, that is panic. The world's rulers who have given themselves the mission of "giving new foundations" (sic) to

the international financial system or even, in a still more grandiose version, capitalism, make me think irresistibly of scene 3 of Act II of Molière's *Bourgeois Gentleman*. The philosophy master intends to use his authority to arbitrate between the claims of the music master, the dancing master and the fencing master, all of whom are fighting for their discipline to be recognized as the best: before we know it, he is squabbling with them, and the fighting carries on with four instead of three.

It is arrogance to imagine that one can, like Napoleon, place the emperor's crown on one's head by claiming to put oneself on one's own initiative in a position of exteriority, which is to say of authority. We saw the cost of this during the 2008-09 crisis: the "authorities" who injected astronomic amounts of liquid assets intended to "reassure the markets" quite simply produced the opposite effect. The markets concluded that only panic could explain that one would arrive at such extremities. To speak of "rebuilding capitalism" through regulation of the markets is astonishingly naïve, since it implies that one has already solved the unheard-of problem posed by the disappearance of all exteriority. By occupying the entire space, the economy may have condemned itself.

NOTES

1. This is, alas, Hirschman's own interpretation.
2. According to the expression often quoted by Hayek from Adam Ferguson, himself also a member of the Scottish Enlightenment, social order is "the result of human action, but not of human design."

WORKS CITED

Dumouchel, Paul, and Jean Pierre Dupuy. *L'enfer des choses: René Girard et la logique de l'économie*. Paris: Seuil, 1979.

Dupuy, Jean Pierre. *Libéralisme et justice sociale: le sacrifice et l'envie*. Paris: Hachette, 1997.

Dupuy, Jean Pierre. *The Future of Economic Life*. East Lansing : Michigan State University Press, forthcoming.

Durkheim, Émile. *The Elementary Forms of Religious Life*. Translated by and Karen E. Fields. New York: Free Press, 1995.

Girard, René. *Violence and the Sacred*. Translated by Patrick Gregory. Baltimore: Johns Hopkins UP, 1977.

Hirschman, Albert O. *The Passions and the Interests: Political Arguments for Capitalism Before Its Triumph*. Princeton, NJ: Princeton UP, 1977.

Rawls, John. *A Theory of Justice*. Cambridge, MA: Belknap Press of Harvard UP, 1971.

Voltaire. *Poem on the Disaster of Lisbon*. Translated by Tobias Smollett. In *Candide, or Optimism*. New York: Penguin, 2005.