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ByCCRU

The Cybernetic Culture Research Unit examines 'psychological' economic theory, lite. A recent anonymous letter sent to the CCRU examines the newly popular analytical tool of 'psychological' economic theory. After reading the books and learning the theory, the author seems to have understood why only the 'lite' version is doing the rounds in the City today. Read it for yourself...

As I was waiting outside the London School of Economics to hear a lecture by Professor Matthew Rabin of the University of California, Berkeley, a tramp, swathed in the filthy blankets so typical of the street-dwelling underclass, was ranting in what seemed to be an incoherent fashion. He kept repeating the same few broken words – what sounded to me like “new feral magic MAGIC MAGIC” – in some loose approximation of a chant. The state of mental health care in the capital being what it is, such incidents are so common as to produce indifference in most Londoners, me included. But something about this incident made me unable to easily forget it.

As it happens, the lecture – whose subject was ‘The Economics of Immediate Gratification’ – was very engaging. Economics, Rabin argued, was dominated by unwarranted and unargued assumptions about ‘rational agency’. Like Robert Shiller, author of the recent *Irrational Exuberance* (see *Mute*18), Rabin was attempting to reform economics by importing into it psychological theories which departed from the 18th century empiricist dogmas dominating standard economic theory. What we need to think about, he urged, is phenomena like self-deception and procrastination. Procrastination, he memorably observed, is the ultimate vice – a kind of meta-vice – because you can combine it with all other vices!

Like *Irrational Exuberance*, Rabin’s work appears radical when compared with the absurdly insular fantasies of academic economics, but timorously cautious when set against the reality-mutating machine of global Kapital. With his notions of ‘self-fulfilling psychology’, the importance of ‘storytelling’, feedback theory bubbles, media immanence to commerce, and the similarity of share speculation to gambling, Shiller seems to come close to what you at CCRU call ‘hyperstition’, but he stops short at pursuing some of his positions through to their logical conclusions. Why?

The only theorist who had pursued these was the so-called Professor of Libidinal Economics, Robert Kennington. In Kennington’s account it was only Freud who understood that “economics is not about the representation of particular zones of the real. Rather the real is economic through and through”, making him “the one real economic theorist of any merit.” According to Kennington, Freud dealt with economics in its “most abstract sense – the study of flows and their regulation.”

The ‘de-demonisation’ of psychoanalysis by Adler-influenced US ‘driving ego’ theory had led, so Kennington insisted, to a “mutual corruption – both moral and intellectual – of economics and psychology. Each finds the other’s (Oedipal) blindspot. Freud shows that there is no irrational. He returns us to a Spinozist perception of the cosmos as an ongoing conflict amongst demonic tendencies, each with their goals and purposes, or rationales.”

As Kennington’s research went out into the various CCRU-zones of occult numeracies, the convergence of fiction and commerce and the war between magic and sorcery, his status as a professional academic – predictably perhaps – became increasingly untenable. His last published paper – a denunciation of the ‘new era’ thinking which, as Shiller establishes in *Irrational Exuberance*, accompanies all speculative bubbles – was entitled ‘New Fear Magic: How New Era Thinking will End in e-katasrophe.’ Everything after that is rumour. The inevitable mental breakdown happened, there was a messy dismissal process and then – nothing. He seemed to disappear, completely. The

question that came into my mind at the moment – and which has haunted me ever since – will now be obvious to you: could that ravaged bum outside the LSE really have been Kennington? Thinking of his haunted pallor, I understood at once why Shiller and Rabin are so conservative. Be careful out there.

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