

Lacan and Rational Choice

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“The importance of social phenomena, the wealth and multiplicity of their manifestations, and the complexity of their structure, are at least equal to those in physics. It is therefore to be expected – or feared – that mathematical discoveries of a stature comparable to that of calculus will be needed in order to produce decisive success in this field. (Incidentally, it is in this spirit that our present efforts must be discounted). *A fortiori* it is unlikely that a mere repetition of the tricks which served us so well in physics will do for the social phenomena too. The probability is very slim indeed, since it will be shown that we encounter in our discussions some mathematical problems which are quite different from those which occur in physical science.”¹

In the following pages we examine the possibility of reconciling two fields which are both exceptional to the scientific discourse today: modern economic theory and Lacanian psychoanalysis. Though it appears that these two are deadly enemies in every respect, we argue that this is due more to their theoretical proximity than any substantial conceptual differences. To begin the transition from psychoanalytic theory to economics appears as a daunting task, but it requires only that we consider their shared place among the sciences – from the standpoint of traditional mathematized science, psychoanalysis and economics are both fraudulent. That is, they are both marked by the difficulty of finding empirical validity for their theories.

Our example of this in economics is the failure of “rational choice theory” (RCT) to properly model the activities of individuals on the market². Economists have long attempted to import the fundamental insights of game theory to the real world, but this requires several reductions concerning what “rationality” entails. One class of problems concern that of collective action³, which can be summarized by the following question: why would an individual participate in a group when he would be able to reap the benefits of that group’s action anyway? If each individual reasons that they can “freely ride” on the work of others, why would a group ever form? Mancur Olson, in his well known *Logic of*

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1 Von Neumann and Morgenstern 1953, p. 6

2 For a thorough history of RCT, see Oppenheimer 2010 and for a discussion on its problems, see Scott 2000.

3 See Olson 1966.

Collective Action, proposes that groups must incentivize membership in order to counteract this effect. Yet, how does this work when the utility to each individual is infinite, for example, when we are dealing with potential ecological catastrophes? Perhaps the situation today is one in which the notion of utility itself is in crisis. Our only chance is to re-conceptualize political economy, since the history of political movements shows that collective action does occur even when participants do not obtain much individual utility from it.

Psychoanalysis shares with economics a similar difficulty - though there exists empirical evidence⁴ of its therapeutic effectiveness, it is still seems unable to make the jump into the realm of a valid science, a fact its detractors enjoy pointing out⁵. Perhaps Lacan was ahead of the curve then, when he claimed that the primary function of psychoanalysis is not therapy, but a confrontation with desire⁶. Such a confrontation cannot occur without a fundamental change in the patient, one which is literally more than he or she bargained for. Yet, one cannot aim directly at such a change - psychoanalysis works by the principle that the *customer is always wrong*, but also that this mistake by the patient is necessary. In any case, psychoanalysis seems to be in the same boat as economics, always on the threshold of credibility, always mired in (economic or clinical) disasters.

We are not suggesting that these two fields are the same in terms of conceptual development – psychoanalysis is far more ready to accept (and make use of) its inadequacy with regard to the other empirical sciences. Lacan’s claim, for example, that “there is no human science” is not only to be read as an external attack on “inferior” fields (psychology, social sciences, anthropology, etc.), but one also directed at those who believe in the full scientific legitimacy of psychoanalysis as well. Lacan is not denying that humans exist, but rather that “human individuals” are not adequate epistemic objects - their physical and biological forms do not account for their immersion in language. As long as we rely on this object, we will not be able to grasp Freud’s basic lesson - that normality is itself a kind of deviation. There is an incentive, then, to make a theoretical reference to the “human animal”, our natural state prior to subjectivization - it grants the existence of an object which can

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4 For a recent study on the effectiveness of psychoanalysis, see Schedler 2010.

5 It is not hard to find anti-Freud literature, the most notable and recent example is Rillaer, Pleux, Cottraux, Borch-Jacobsen 2005.

6 For more on this, see Dunker 2011.

be treated. Our reliance on this figure of the human to ground certain branches of science is directly proportional to the ground which science is quickly taking away from the individual today.

Lacan's point, in short, is that the "human being" is an ideological term which serves to cover up the impasses of the subject of science. The effect of this ideology has far reaching consequences. It is still a common belief that the financial destruction of recent times is due to the actions of particular individuals. We are all familiar with the discourse which says human greed and egotism are obstacles to the development of society as a whole. As long as economic and political power is available, individuals will misuse it - why would the markets be any different? The fallacy of this argument is that it assumes the naturalization of the markets themselves, when in fact, a market is the outcome of politics. For this discourse, the immanent development of the markets is sacred, and its gatekeeper is the human ego which is only rational enough for Capital's ends. To function, Capital must constantly convince us that it is an extension of nature, that the human individual's "life-world" is the market - brutal but fair - and those who are crushed by it are ultimately selected out by its evolutionary processes.

The proper way to remain faithful to Freud's original discovery is not to put all of our eggs into the scientific basket, so to speak, but rather to affirm that psychoanalysis gains its legitimacy precisely where certain eggs fall out – the idea of humanity being among them. What strategy does this affirmation take? We outline in the following text a re-appropriation of the notion of *utility* in economics, one which will consider the Freudian discovery of the unconscious. While it seems relatively easy to criticize the idea of a quantifiable use of a commodity, as well as to link this to all sorts of social ills, it is much more difficult to devise a replacement theory. The main strategy today is to explain the issues of RCT as a symptom of an incomplete understanding of human psychology⁷. Generally speaking, its proponents advocate a renewed investigation into the effects of groups on an individual's decision-making, a position which is surely to yield promising results. However, we think this strategy still relies too heavily on a notion of intersubjectivity, while psychoanalysis is uniquely equipped to explain certain group phenomena even without recourse to relations between people.

By changing our theory of utility, we are also implicitly changing our conception of private ownership. For example, it may not be difficult to

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7 Perhaps the most popular example in recent times is Ariely 2008.

think of something with potentially infinite use-value that is amenable to the form of the commodity – clean drinking water, for example – but it is another to think of how one makes use of language. Water may satisfy a need, but speech allows us to formulate a desire – and if desire is material, can we not also include it among the forms of use which we are capable of? But a desire is not something we can own, therefore it cannot appear on the market, and it cannot be exchanged. Yet, to render the paradox more fully, we can say that the existence of psychoanalysis stands as proof that we can pay for our desire.

Even with a conception of the death drive on the side of psychoanalysis, and the capitalist drive for surplus value on the side of Marxist economic theory, we have yet to adequately critique the figure of the individual who attempts to maximize utility for himself. What is the form of rationality which is supposed by this figure, and what sort of utility must be required to maintain it? We know since Marx that the exchange process dominates over the process of consumption – commodities are produced because they can be exchanged, not simply for their usefulness. Since exchange is divided from use, it introduces an abstraction to the very form of the commodity. One no longer requires reference to particular commodities, but rather to their abstract form. In 1991, the hedge fund Goldman Sachs created the first Commodity Index, an assemblage of commodities from 18 different sectors. This new financial product allowed investors to speculate while ensuring that prices would not deviate too far from what was dictated by actual supply and demand. In principle, the actual price of the underlying commodities should not be affected by speculation on its future price, but this is precisely what occurred in the price of grain in 2008. This “contango” market led to millions starving while the US silos were stocked with a surplus, what Frederick Kaufman called a “demand shock”⁸.

The lesson here is that the value of a commodity can exist purely in the future, with material effects on the present. Capitalism thus introduces to utility a kind of temporal plasticity, to the point where the commodity does not need to actually be consumed. From this standpoint, utility is always potential utility, a usefulness which outlives the material form that encases it. To put it in Marx’s terms, utility is one of the “metaphysical niceties” of the commodity form – it has no need for actual commodities themselves. The paradox for our reading of Marx today is how surplus value can be created from the “thin air” of market

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8 Kaufman 2010

transactions. No labor is consumed during exchange, but it exists as a labor that will be consumed – a contract to buy a future commodity also implies that future labor will occur, and that the price for this labor will be below the price of the commodity it produces. This latter fact is guaranteed by Marx's idea of the "reserve army of labor" – in developed capitalist countries, the supply of labor in general will always be greater than its demand. Therefore, it is possible to not only exploit existing workers now, but also future laborers, since the asymmetry between labor and product is assumed to always exist.

Marx separated the study of use from the study of political economy because he thought use-values are inherently private and only realized in the consumption of the commodity⁹. Yet, the profound dependence between *market* and *marketing* seem to contradict these premises – use-value does not need to be tied to the physical properties of a commodity, since commodities can be made to "appear useful" in ways which are hardly tangible today. This "metaphysics of use" is more apparent than ever in the conjunction of advertisement and labor. Today, in order to compete as a laborer on the market, one must adorn oneself with a list of traits which evoke a surplus utility. Even outside the workplace, there is a pressure to enjoy which is accompanied by an even worse pressure to prove that one is enjoying. Education which does not improve our marketable skills is undergoing devaluation because it is "not useful". Are these not signs that the rationality ascribed to the human is quickly converging with the rationality of the Capital? If so, the proper way to return to Marx will involve a reconsideration of the relation between use and exchange.

Perhaps the most metaphysical dimension of use today is that of private knowledge. What separates a CEO from an average worker if not a privileged insight into market trends and strategy, a clairvoyance of the market? The acquisition of these individuals amounts to the acquisition of the utility of their knowledge, which can then be used to out-smart the competition. Here, we find a surprising connection to psychoanalysis – it is in the form of competition that Lacan originally conceived the subject to emerge. His early text on "logical time" focused on the implications of game theory for the formation of the subject, a theme which he repeated throughout his later teachings. Jean-Pierre Dupuy extends these insights in his text *Common Knowledge, Common Sense*:

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9 Marx 1859

“How are the Lacanian categories of the ‘symbolic’ and the ‘imaginary’ related to formal game theory? First of all, it may be noted that in game theory the very rationality of the players implies that they must put themselves in each other’s shoes so as to examine the situation from the adversary’s viewpoint. In so doing, each player perceives that the other has done the same in regard to him. The result is a play of mirrors, a specularity that is potentially infinite.”¹⁰

Dupuy introduces in this text a series of games in which the solution requires not only the knowledge of the individual participants, but the knowledge of what the Other knows, i.e. “common knowledge”¹¹. His argument is that Lacan’s category of the “symbolic” is not simply a transcendental structuring the situation, but can be shown logically to arise from the play of specularity among competitors. The symbolic has the form of “I know that you know that I know...” raised to infinity. Since one cannot actually reach infinity through counting, the enumeration of these levels of knowledge does not suffice to generate common knowledge. Rather, one must posit a knowledge which is not “owned” by any of the players, but generated inductively by the very structure of the game. Once posited, one finds that this knowledge was always there – in Kantian terms, it is *synthetic a priori* knowledge.

This conception of the Other as arising through the specular play of competition adds a new twist to the distinction between public and private (a distinction emphasized by Kant). At what point do actions stop being for our own personal utility and begin to take on the dimension of the public? For Dupuy, it is precisely those actions which alter the already public knowledge at work in a given structure. We propose that the notion of a “common use” corresponds to the “common knowledge”, a utility which cannot be claimed by the individual. We all know that in the market, knowing what others do not is a powerful thing - however, when this is universalized, what we get is an Other who is ignorant. In this sense, when a speculator makes profit from his investments, he is making profit from the privatization of knowledge, an operation dependent on the Other’s ignorance. Taking this logic further, one can understand the problem of “free riding” in collective action problems as one where we benefit from the actions of others while the Other does not know that we are not participating. This can perhaps render more clearly why, in Zizek’s

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10 Dupuy 1989, p. 38

11 This term was first coined in Lewis 1969.

terms, “the situation is catastrophic but not serious”. We ourselves know that a catastrophe will happen, but no one acts because we have yet to convince the Other.

To produce changes in the knowledge of the Other implies a change in the status of private knowledge itself. To take a political example, the secrets released by Wikileaks were not exactly surprising to anyone in particular – we knew that there were assassination plots, terror, and corruption going on – but to inform the Other that these things were going on had real effects. We can no longer pretend that we do not know, the taboo is now broken. Psychoanalysis allows us to examine these effects in their pure form, as effects on discourse.

Lacan’s definition of discourse as a “social link” has always been a point of much confusion. Our first impression is that it describes a metaphysics in which an invisible thread connects bodies together, creating a field called “the social”. We propose to clarify this notion through an excursion through economics - specifically Friedrich Hayek’s famous text *The Use of Knowledge in Society*. For Hayek, the dynamism of the market resides in its ability to coordinate prices across time and space. He says, for example:

“The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate ‘given’ resources—if ‘given’ is taken to mean given to a single mind which deliberately solves the problem set by these ‘data.’ It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality.”¹²

Hayek articulates the problem of social organization as the relation between planning and knowledge. How do we properly distribute resources given the fact that no individual can comprehend all economic situations at once? What is interesting here is the type of knowledge which Hayek makes reference to:

Today it is almost heresy to suggest that scientific knowledge is not the sum of all knowledge. But a little reflection will show that there is

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¹² Hayek 1945.

beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place. It is with respect to this that practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active coöperation.

The knowledge of the *hic et nunc* resonates surprisingly with Lacan's early remarks on the clinic - one loses sight of this particular knowledge precisely when one is able to see everything at once. Just as a hasty categorization of a patient's condition in a clinical setting can obscure what he or she is trying to tell us, one forgets that, ultimately, it is the worker's know-how which is the source of the dynamism of the market. To make decisions based on the aggregation of data is therefore a faulty method, an argument Hayek uses against central planning. What is required is the "man in the spot", the individual who knows the concrete circumstances and can act on them with haste. This text is usually taken to be emblematic of free market thought, but we argue that it is more suitably a communist text. We can agree with Hayek in praising the knowledge of the worker in concrete circumstances, but is he justified in claiming that the market adequately expresses this knowledge?

Is Hayek's theory truly adequate to cover the phenomena of speculation, for example, where investors are manipulating large quantities of goods far away from the "particular concrete practices" of a given job? The financial crisis of recent years has shown that the market does not respond to the knowledge of the worker. Rather, it is proof that investors are acting on what they think the others are doing. The fact that the most profitable decisions one can make today come from a clairvoyance of the market shows the inverted nature of Capital - one begins with a decentralized system of price signals, but one ends with an aggregated form of gambling. Investors are not central planners, but they use statistical tools to predict the market as a whole - their ideal is the Other's knowledge, a view of everything at once. This appears as the direct result of the fact that the commodity form can be stretched and divided indefinitely, that its substance is not physical but metaphysical - in other words, that its utility is infinite.

To see everything at once, and before everyone else, that is the ideal of the market speculator. This contradicts the very spirit of Capitalism, as Hayek's text defines it, yet we observe that this is a consequence of the

commodity form. Returning to Lacan, we can say the “social link” appears when we are able to let go of the fantasy that one can possess the knowledge of the Other. We can then replace this fantasy with our activity of changing what the Other knows. This corresponds to a change in the mode of organization, allowing us to do what was previously conceived as impossible. It is this act of producing changes in common knowledge that is necessary today.

To summarize the points which link our two domains:

1. There is a knowledge of the Other generated from the speculative play of competition.
2. This knowledge is inherently public and cannot be appropriated by any individual.
3. One can add to this knowledge (and perhaps subtract from it as well), producing a change also in the way we organize (without necessarily changing what we as individuals actually know).
4. This process of changing what the Other knows is the result of a proper critique of political economy.

Psychoanalysis has always struggled to ground itself empirically, since its effects by definition require the admission of a singular experience. To remain faithful to this aspect of its teaching seemingly requires that one take a critical distance from the sciences, a requirement which today has come into question by many Lacanian scholars¹³. Interestingly, this distance cannot be found in Lacan and Freud themselves, who incessantly used (and perhaps misused) several concepts from the hard sciences in an attempt to lay the foundation for their field.

Freud in particular used the term “economic” many times to describe the energetic model of the unconscious. Its primary unit was the “cathexis”, the quanta of psychic energy which could attach to and dislodge itself from various parts of the body. Freud’s early theory for why the talking cure worked resolved itself as a theory of the release of cathectic energy from traumatic memories, allowing this psychic “currency” to flow without obstructions. Freud offers an intriguing glimpse into his own inspiration for this model in the following passage from his *Interpretation of Dreams*:

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¹³ Most notably Johnston 2013.

“A daytime thought may very well play the part of entrepreneur for a dream; but the entrepreneur, who, as people say, has the idea and the initiative to carry it out, can do nothing without capital; he needs a capitalist who can afford the outlay, and the capitalist who provides the psychical outlay for the dream is invariably and indisputably, whatever may be the thoughts of the previous day, a wish from the unconscious.”¹⁴

In other words, a dream proceeds like an investment – it begins with a wish that funds it, and attempts to turn a profit of some kind. Freud leaves this analogy open until *Beyond the Pleasure Principle*, where he not only posits the existence of a “pleasure-profit” which is added to the psychic system, but more importantly, he abandons the economic model altogether as an adequate description of psychic phenomena. Given the notion of a death drive, an impulse to repeat beyond life and death, it is untenable to assume that homeostasis is the end goal of the psyche. As Lacan already pointed out, this maneuver on Freud’s part marks the homology between himself and Marx.

We can now glean something new from this cryptic statement - what ties Freud and Marx together is not a common concept, but a failure for their respective objects to become epistemically grounded. The unconscious stands for that thing which is lost as soon as an individual “grasps” it as knowledge (or as the ignorance of others). Thus, it inherently resists the movement of privatizing knowledge. This failure to know what our collective desires are, seen from the stance of engaged politics, is an impetus to action. After all, Lacan says that there is only a cause in that which fails. What resists appropriation is precisely the utility of collective action, a form of use which is inherently public.

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14 Freud 1899.

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