

Proposal for COV&R 2010”
“Toward A Girardian Theory of Market and Regulatory Behaviors”

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Economic dogma insists that relatively “efficient” markets will automatically establish prices at optimal levels (for all transactions, but especially for publicly-traded stocks). This God-like pricing mechanism (e.g., Adam Smith’s “Invisible Hand”) cannot be improved upon by human efforts – but only “distorted” – especially by the attempted interventions of populist governmental regulations.

Prevailing economic “models” describe market behavior based upon an idealized theory of desire as the rational self-interest of atomized individuals (or “demand”) which is regulated – through interaction with available supply – to produce an objectively determined market price. **This powerful, utilitarian myth operates to conceal and sanctify the mimetic group dynamics and violent irrationality of actual regulatory and marketplace behaviors.**

The recent meltdown of stock prices from a Dow highpoint of 14,000 to a low of 6,600 in less than 18 months has reopened the obvious lack of any objective market pricing to fresh scrutiny. Wall Street institutions have survived and insiders have thrived – all at public expense – even while the resulting credit freeze has brutally (but “justifiably”!) sacrificed jobs and companies throughout the economy. A growing body of research by “behavioral economists” such as Dan Ariely at Duke University provides a rich opportunity for Girardian theory.

The data is clear – our collective irrationality is ever present in our market behaviors and the resulting price levels. Yet no comprehensive analysis of human nature and group dynamics has provided the theoretical framework needed to offer a viable scientific alternative to the Chicago School approach to markets. A Girardian reading of the emerging behavioral economics research data appears to point the way toward such a comprehensive theory of market (and regulatory) behaviors.

This paper could be delivered by itself or as part of a panel discussion. I have delivered a presentation at one other COV&R conference in the past (“Risk Management and Sacrificial Substitution” at Purdue) and have co-authored (with Jim Grote) one article on Girard (“Profits and Idols: An Introduction to Girardian Business Ethics” in *Spirituality*, an Irish Dominican academic journal) as well as one book, *Clever as Serpents: Business Ethics and Office Politics*, applying Girardian theory to the business world.