

Spiritual Realism, Phenomenalism and the Current Crisis Discourse

Jürgen Gebhardt

I.

Who is afraid of the financial market? Obviously most of the political leaders around the world – and rightly, since the global economy has fallen into disarray; however also wrongly, because they bow to the myth of the rational market. At issue is not the dependence of national economies on private investors, but the key role that governments grant the financial market in judging the policies of a particular country, or indeed, the European Union as a whole, in order to impose far reaching political strategies and decisions on them. Oddly enough the, to this day rather inconspicuous, American credit rating agencies acquired political power by downgrading the credit rating of states – including the United States—at the very moment that it became common knowledge that “the credit rating agencies [themselves] played an enormous role in creating the conditions that led to the financial crisis. Their willingness to slap triple-A ratings on all manner of Wall street engineered mortgage rot was enormously lucrative for the raters but a disaster for the global economy.”¹

The current dominance of the oligopoly of rating agencies originated with their politically mandated authority to effectively control access to the financial system. But the course economic globalization has taken, and the growing tendency of Western polities to grant power to financial markets to judge authoritatively on credit worthiness, threaten to surrender political agency to the ‘sovereign units’ of the rating agencies that are geared to the fundamental idea of the ordering force of the market. A politics that was centered on the ‘sovereign debt’ and the overall budget crises bowed to the market rationality of cutting costs at the expense of those public goods that maintain the societal and cultural stability of the community. In doing so, policy undermined the substantial reason that operates on the basic trust in the justice of the democratic order. Therefore, what is at stake in trying to come to grips with the fundamental problem that underlies the current crisis, is the issue of a realistic assessment of a dominant belief-system that subjects all spheres of human social existence to the functional rationality of the market. With the dominance of this belief system, political and socio-political decisions are not made by the elected government but dictated by the markets and their collective and individual actors. The belief-system in question is neither

¹ J. Eisinger, Lessons on bond ratings not learned after the crisis, International Herald Tribune, January 6, 2011, 17.

identical with economic theories per se, nor with the particular idea of scientifically calculating the movements of the stock market. But it evolved by developing the rational market hypothesis into a theory of the rational market. In turn, this myth developed a power of its own that was transferred to the financial market that sits in judgment of states and their public policies. “In some aspects the story of the rational market hypothesis”, writes Justin Fox in his *The Myth of the Rational Market*, “parallels and is intertwined with the widely chronicled rebirth of a pro-free-market ideology after World War II” (in the United States I would add). But rational market finance was not originally a political movement. It was a scientific movement that imposed the mid-century fervor for rational, mathematical, statistical decision making upon financial markets. In spite of scholarly critique “the rational market continued to inform public debate, government decision making, and private investment policy well into the first decade of the twenty-first century.”²

Irrespective of the disruptive consequences of the financialization of the global economy Alan Greenspan would only admit that “the market knew more than he did.” In other words, the “edifice of rational market theory” is still in place and allows some to make the claim that “(f)inancial markets possessed a wisdom that individuals, companies, and governments did not.”³

II.

The descriptive analysis of a lot of critical literature dodges the real issue of a belief-system based on the utilitarian rationality of the market that focuses on the correct coordination of means and ends, however disordered the ends may be. The pattern of sentiments, ideas and attitudes that underlie this belief-system are characterized by a pervading tendency to interpret phenomenal relations --such as market relations— as a substantial order. Put into the larger context of modern thinking the ontologization of economic phenomena is but a special case of a general preoccupation with the phenomenal world as defined by the exact sciences. Consequently it is also a preoccupation with the *homo phenomenon* at the expense of the *homo noumenon* and the substantial structure of reality. Indeed, rational-utilitarian agency is intrinsically woven into the fabric of a science + technology driven civilization. Its potential for economic prosperity and the progressive mastering of external living condition

² Justin Fox, *The Myth of the Rational Market*, HarperCollins Publishers, New York 2009, p. XIV-XV.

³ Ibid., p. XII – XIII.

seemed to promise ever increasing human well being .⁴ But, time and again, it turned out that political rationality limited to functional utilitarianism dissolves the *sensus communis*. For, it is the moral constituent of the common world of human agency guided by a political rationality that political order be measured against the innate sense of human dignity and the quest for a social order of mutual recognition. This is substantial order. When confronted with this order, the means-end-related utilitarian rationality fails the test of political rationality.

At the critical juncture in the ongoing societal crisis the crucial question of rationality was raised by those who had diagnosed the crises: among others by Karl Mannheim, Max Horkheimer and Eric Voegelin. They challenged the monopoly of utilitarian rationality and reclaimed the substantiality of reason in matters of human agency. They insisted on the conceptual differentiation between formal and substantive rationality (Mannheim), functional and substantive rationality (Horkheimer), and pragmatic and noetic rationality (Voegelin).⁵

Voegelin identified the guardians of humanity's reason as "secular spiritual realists" that defend the standards of rationality and challenge the movement of de-spiritualization inherent in the phenomenalist *Weltanschauung*. In order to subject this polymorphic intellectual and social complex of modern self-understanding in its entirety to rational discursive analysis, Eric Voegelin proposed the heuristic concept of phenomenism. "The complex of phenomenism", he states, " has never been isolated as a component factor in the intellectual and spiritual life of modern man[...]"⁶ The problem of modern phenomenism, as far as Voegelin dealt with it in the fragmentary studies of his Western history of ideas, is analytically bound up with a "comprehensive systematic critique of politics and modern civilization".

Voegelin himself indicated lines of further research in his own brief presentation of phenomenism in terms of a typology that extends from biological and economic

⁴ Eric Voegelin, "The Origins of Scientism", Collected Works 10, Missouri University Press, Columbia 2000, p. 191 - 194

⁵ Cf. Karl Mannheim, *Man and Society in an Age of Reconstruction*, New York 1954; Max Horkheimer, *Zur Kritik der instrumentellen Vernunft*, Suhrkamp, Frankfurt 1967; Eric Voegelin, "Industrial Society in Search of Reason", Collected Works 11, Missouri University Press 2000, p. 178 - 190

⁶ Eric Voegelin, *History of Political Ideas VII*, Collected Works 25, Missouri University Press, Columbia 1999, p. 181

phenomenalism to psychological phenomenalism. For our theme of the rational market syndrome Voegelin's glance at economic phenomenalism is of particular interest. First, he points to the dependence of economic phenomenalism on biological phenomenalism. It derives from Darwin's theory of evolution which provides insight into the phenomenal mechanics of the evolution of living forms, without however touching on their substance. Second, once Darwinism was accepted "as a revelation concerning the nature of life and as a compelling reorientation of our views concerning the nature of man and his position in the cosmos," it was absorbed into the interpretation of society and politics.⁷ Here Darwinism—with all of its consequences-- resurfaced as an ontologically grounded conception of the natural order of a competitive society ruled by the law of biological survival. The emerging theory of economic phenomena tended to accept the biological category of the survival of the fittest and the notion of competitive society. As a theory of economic interaction it is of course legitimate that it does not pass judgment on the substantial order of a society. But it illegitimately turns into a phenomenalist enterprise "when the laws developed by a theory of economic action are erected into standards of action, when the theoretical system of economic relations is considered a right order of society that should not be disturbed by interventions". Voegelin points out that "[i]n substituting the phenomenal order (the regularities of market interaction J.G.) for the substantial (the socio-cultural constitution J.G.), the phenomenalist overlooks the fact" that man is not simply an absorbent of goods but a being whose status is determined in relation to the whole of society. The so-called real equipment of an individual with goods , which actually may rise in accordance with the predictions of economic theory, is indeed phenomenal, while the substantially real poverty or wealth, which is determined by the relation to the poverty or wealth of other members of the society, may not change at all." "The pertinence of this inquiry is obvious in the face of persistence but futile endeavors to establish political order by means of the economic organization of social affairs. "⁸ The importance of this inquiry becomes apparent in today's struggle to reassert public authority over market forces.

It is no accident that, in those early years, and under the specific conditions of emerging American industrialism and corporate capitalism, a social-Darwinist reading of the market brought forth the mathematical, rational ideas about economics and markets, with its primary

⁷ Ibid., p. 186

⁸ Ibid., p. 188

focus on the stock market.⁹ Of course that reason and science might be applied to the stock exchange was of interest to the growing investment business. It seemed to reveal the utilitarian rationality of the financial market and it promised a prognosis based on the control of long term developmental tendencies. The economic data that this applied science worked with was provided by the publicity prone new industrial giant. Part of this structure was a new type of factory that processed the data and gauged how the market was doing. I mention this historical fact, because the rating agencies came into being at the same time that the rational market hypothesis did: Standard Statistics (today Standard & Poors) in 1906, Moody's in 1909 and Fitch in 1913. Naturally, at the time, nobody imagined what power those institutions would acquire many years later.¹⁰

III.

Voegelin did not coin the term phenomenism. The concept was developed in the scientific and intellectual discourse of the late 19th and early 20th century which formulated a comprehensive 'phenomenalist Weltanschauung' that claimed to represent the cumulative knowledge of modern science.¹¹ It claims to be epistemologically grounded in the exact mathematical sciences and consequently insists on the relativity of knowledge and truth, as well as on the relativity of the ethical norms of human conduct. It is noteworthy that this original exposition of a science-based weltanschauung confines itself to phenomenal reality and refuses to enter into the quest for any ground or substance that would denote an ultimate cause of all being.¹² Opposition to all metaphysical types of Weltanschauung is the motivating core of phenomenism, and its legitimating raison d'être is the unwavering belief in the phenomenist character of science and its utilitarian exclusiveness.

But the sensitive phenomenist is well aware of the simple truth that the human mind cannot live by an ultimately meaningless flux of relativities, whether in science or in practical existence. At this point Hans Vaihinger developed his famous *Philosophie des Als-Ob*. Vaihinger was a phenomenist and at the same time a Darwinist. His philosophy cancels the relativity of all intellectual activity insofar as it ascribes all human thought to a biological function. Thought is in the service of the will to life and power. In order to fulfill the purpose inherent in the life process, human thought must come to grips with the relativity,

⁹ Justin Fox, *The Myth of the Rational Market*, HarperCollins Publishers, New York 2009, p. 8 - 11

¹⁰ Ibid., p. 15

¹¹ Hans Kleinpeter, *Der Phänomenalismus*, Johann Ambros Barth, Leipzig 1913

¹² Ibid., p. 140

inconsistencies, and contradictions involved in a phenomenalist understanding of reality. Therefore, the human mind is forced to intentionally and imaginatively construct a symbolic system of theoretical, practical, and religious fictions. All thinking acts and forms of thought are conscious imaginations of an As-If world. It is a world of the ‘Unreal’ that is as important as the so-called real world— and it is even more important in the ethical and aesthetic spheres since, to the human being, the world of the unreal becomes the world of values; in particular, in the form of a religious world.¹³ Vaihinger’s philosophy of the As-If brings the ultimate consequence of phenomenism to the fore: If the axioms of a phenomenalist world view are accepted then human self-understanding is, of necessity, forced to lead a life of fiction. Phenomenism – rightly understood – transforms the substantiality of human beings and the universe into a fiction. Vaihinger’s radical credo of de-spiritualization, and even more of irrationalism, expressed the essence of what Voegelin considered to be the outcome of the crisis of modern civilization.

Phenomenism, as it presented itself in terms of a phenomenist weltanschauung, is rooted in the fact of the indisputable advance of the mathematical exact sciences and their undeniable impact on the formation of modern societies. But in the last analysis it identifies itself as the construction of a fictitious world. This is true in particular for the hope of the phenomenist to solve the grand problems of truth and the order of human existence by means of the instrumental apparatus taken from the science of phenomena. Vaihinger is right: the phenomenist project proceeds on a fiction – and the spiritualist realist uncovers this sleight of hand and calls its bluff.

IV.

In Voegelin’s understanding the secular spiritual realist is the truly modern realist: Spiritual realism designates “the attitude of a political thinker ... who has to detach himself intellectually, and sometimes also practically, from the surrounding political institutions because he can not attribute to them representative function for the life of the spirit that he experiences as real within himself.” The political thinkers who are secular spiritual realists, such as Machiavelli, Bodin, Bruno, Hobbes, and Spinoza, “tried, each one according to the powers of his personality, to find the place of spirit in a world of particular political units” in

¹³ Hans Vaihinger, “Wie die Philosophie des Als-Ob entstand”, *Die deutsche Philosophie in Selbstdarstellungen*, II, Meiner, Leipzig 1921, p. 175 – 203, 200 – 202; Hans Vaihinger, *Die Philosophie des Als-Ob*, Berlin 1911

a historical situation that was marked by the drifting apart of the spirit and politics.¹⁴ In their time, these realists could count on some critical attention from the public: at least to the extent that the ruling orthodoxy felt compelled to attack and persecute them, indeed Bruno was burned at the stake. In a skeptical note Voegelin complained that the modern realist “does not find any reaction on a socially relevant scale. Uncomprehending attacks are his lot and equally uncomprehending praise, at best some pragmatic misuse of his arguments for partisan purposes, and for the rest oblivion. “ “The very tension between the realist and his age” might preclude an immediate effectiveness for the time being, but the opposition will dissolve “when the spiritually blind forces have run their course into helpless confusion”¹⁵. This optimistic expectation feeds on an emerging new science of politics that started with Vico and was further developed by a “number of able minds who occupied themselves with politics, fascinated by the spectacle of decay”. They therefore engaged in establishing a science of politics that opened new horizons.¹⁶ With the increase of the empirical knowledge of history, and “with the increasing penetration of the theoretical problems of spiritual, evocative, and pragmatic history, we have to expect a development of the new science”¹⁷ that will embody the secular spiritual realism by retrieving the essential principles of order that encompass the whole of human experience in history and society.¹⁸

To sum up our reflections: The essential nucleus of the good society is “the life of reason”. This is the key to the understanding of political rationality that is reflected in the political science of the secular spiritual realist. It does not eclipse the utilitarian and pragmatic rationality that is concerned with areas peripheral to the human being. But it limits it to the “rational action in the sciences of the external world, the development of technology, and the coordination of means and ends as they apply to the external world.” The substance of order, however, depends on the living reality of noetic reason. “It includes all rational action in the

¹⁴ Eric Voegelin, *History of Political Ideas III*, Collected Works 21, University of Missouri Press, Columbia 1998, p. 68-69

¹⁵ Eric Voegelin *History of Political Ideas VII*, Collected Works 25, University of Missouri Press, Columbia 1999, p.198 - 199

¹⁶ *Ibid.*, p. 155

¹⁷ Eric Voegelin, *History of Political Ideas VI*, Collected Works 24, Missouri University Press, Columbia 1998, p. 147 - 148

¹⁸ Juergen Gebhardt, *Erfahrung und Wirklichkeit – Anmerkungen zur Politischen Wissenschaft des spirituellen Realismus*”, *The Philosophy of Order*, P.J. Opitz – G. Sebba eds., Klett Verlag, Stuttgart 1981, p. 332 - 344

sciences of man, society, and history, both in the formation of the order of the psyche and of society.”¹⁹

¹⁹ Eric Voegelin, “Industrial society in Search of Reason “, *Collected Works* 11, University of Missouri Press, Columbia 2000, p. 187 – 188