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Provocations

Discourse on the Method in Finance: Between Epistemological Dominance and Possible Resistance Strategies

Discurso sobre o Método em Finanças: Entre uma Dominância Epistemológica e Possíveis Estratégias de Resistência

Daniel Pereira Alves de Abreu[1]
Ana Paula Paes de Paula*[1]

ABSTRACT

Objetive and Provocation: work in finance has historically had a great affinity with positivist and functionalist approaches, as well as alignment with utilitarian and neoliberal ideologies. The objective of this provocation is to reflect on the predominant epistemes in the field of finance, as well as the limitations of such approaches for the development of studies in the area, provoking about the emergence of a movement that has been establishing resistance strategies that can change the status quo of the finance field. **Conclusion:** bringing new epistemological and methodological approaches, in addition to pointing out more critical approaches and supportive, sustainable and cooperative alternatives to financial and economic issues.
Palavras-chave: finance; epistemology; resistance strategies.

RESUMO

Objetivo e Provocação: trabalhos em finanças têm historicamente uma grande afinidade com as abordagens positivistas e funcionalistas, bem como um alinhamento com ideologias utilitaristas e neoliberais. O objetivo desta pensata é refletir sobre as epistemes predominantes no campo de finanças, bem como as limitações de tais enfoques para o desenvolvimento dos estudos na área, apontando a emergência de um movimento que vem estabelecendo uma estratégia de resistência, que pode alterar o *status quo* da área. **Conclusão:** busca-se assim trazer novas abordagens epistemológicas e metodológicas, além de se apontar recortes mais críticos e alternativas solidárias, sustentáveis e cooperativas para as questões financeiras e econômicas.

Palavras-chave: finanças; epistemologia; estratégias de resistência.

*Corresponding Author.

1. Universidade Federal de Minas Gerais, Centro de Pós-graduação e Pesquisas em Administração, Belo Horizonte, MG, Brazil.

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INTRODUCTION

Finance is one of the disciplines that comprise the framework of administration, characterized by Fabozzi and Drake (2009) as the art and science of managing money. Generally, published works resort to quantitative methods, aligning with positivist and functionalist approaches, with the scope of studies consisting of testing mathematical models to understand causality relationships of the phenomena of interest in this area (Sultana, 2020), which usually aims at maximizing efficiency and overcoming competition.

Although this perspective is scientifically valid, according to Paes de Paula (2016), it is limited to a technical interest, excluding practical and emancipatory interests, reinforcing utilitarian and neoliberal views of financial, economic, and public issues, making it impossible to investigate other possible approaches to the area that bring a more critical focus, as well as more solidarity, cooperative, and sustainable alternatives.

Thus, academic literature ends up reproducing this myopia in financial studies, both in their theories and their modeling. Corroborating this position, the study by Keasey and Hudson (2007) characterizes finance studies as constructors of artificial puzzles for the maintenance of a positivist *modus operandi* in doing science, and Zingales (2015) acknowledges that this bias reinforces the limitations regarding the social contributions that the finance area could offer.

Starting from this observation of the dominance of a positivist, functionalist, and neoliberal perspective in the field of finance, this reflection seeks to ponder on the *status quo* of financial literature, its predominant epistemes, and the limitations of these approaches in field studies, as well as possible alternative actions and resistance strategies by researchers.

AN EPISTEMOLOGICAL AND IDEOLOGICAL DOMINANCE IN FINANCE STUDIES

Mramor and Lonèarski (2002) and McLean and Brian (2007) assert that studies in finance emerged as a branch of economics, based on practical experiences of managers and with a prescriptive purpose regarding decision-making. In the mid-1950s, financial research began to have a greater commitment to developing positivist theories for markets and financial agents, with reference to neoclassical economics, which seeks to maximize results and establish competitive strategies, being referred to as modern finance theory (Iquiapaza et al., 2009).

However, from the contrast found between theoretical expectations and the empirical behavior of the market and its agents, new theories began to be analyzed to understand the anomalies found, based on behavioral psychology. Thus, in the late 1970s, the genesis of behavioral finance arises, with great emphasis on the ideas of Tversky and Kahneman (1992).

This current contradicts primarily the assumption of rationality of agents present in modern finance theory. It is recognized that the rationality of agents does not occur fully, corroborating Simon's theory of bounded rationality (1947). Thus, heuristics, emotional issues, context dependence, among others, are taken as variables that act to imprint a behavioral bias in the decision-making of financial agents. More recently, with the advent of advances in neuroscience in the field of applied social sciences, there has been an acceptance by academia to integrate such theories into the framework of behavioral finance. From this movement, other sub-areas emerge such as neurofinance and evolutionary finance.

Despite shifting the focus from more orthodox approaches, these behavioral branch works continue in a positivist trend, as they have (quasi)experimental methodology as a reference for methodological quality (Kumar et al., 2022), which is the pinnacle of the approximation of metrics from natural sciences to the field of social sciences, with rare inclusions of discussions involving other approaches of psychology, beyond behaviorism, such as psychoanalytic.

Finally, there is a third current of financial studies that involves the use of artificial intelligence and data mining, with the use of machine learning tools to generate complex mathematical prediction models (Nazareth & Ramana Reddy, 2023). The main difference of this current compared to modern finance theory lies in the fact that machine learning techniques, unlike classical econometrics, present ease in dealing with large volumes of data in their models, as well as not requiring previous theoretical models for generating predictions, since the basis for this comes from a training process based on the empirical data itself (Mitchell et al., 1997). Thus, considering the purpose of these studies, a positivist tone is also noted.

On the other hand, it is essential to highlight that, even with this shift in the perception of agents' rationality and this attempt to bring less orthodox approaches, this movement was not accompanied by an epistemological shift, or a questioning of the imposition of neoliberal thought, which is taken as 'natural' in the field (Gaulejac, 2007). The predominance of the neoliberal approach in this field has contributed to hindering the expansion of its social contributions due to its bias in favor of market needs, which puts more sustainable and inequality-reducing actions in the background.

It is worth noting that when referring to neoliberalism, we emphasize it as a rationality that generalizes competition as a norm of conduct and takes the company as a model of subjectivity. In other words, we define neoliberalism according to Dardot and Laval (2016), as a set of discourses, practices, and devices that establish the government of society according to the universal principle of competition and that produce certain types of social relations that shape subjectivities according to the model of the company.

BOTTLENECKS AND (SELF) SUFFOCATION OF THE FIELD

As previously outlined, the dominance of a positivist and neoliberal mindset is deeply rooted in the academic realm of finance. It is important to highlight that, besides being scarce, non-positivist studies in finance occupy a marginal place in the field. This analysis, which corroborates the reflection posited by Gendron and Smith-Lacroix (2015), in turn reflects the elitism of the business academia, in which a limited set of journals is considered the most prestigious source of knowledge. With a few specific exceptions on particular topics, the core of finance research is basically composed of three journals (*Journal of Finance, Journal of Financial* and *Quantitative Analysis, and Journal of Financial Economics*), which do not adhere to epistemological diversification.

Thus, it can be said that these three journals dictate what constitutes quality financial research, which translates into positivist and quantitative studies. Through the symbolic power these journals possess, other periodicals seek to mimic these quality parameters, generating an ideology of devaluing studies that do not follow this pattern.

Moreover, financial studies published in mainstream journals present low diversification, both in terms of methodological approaches and geographical coverage (Brooks et al., 2019). In this sense, studies end up being based on an idealistic ontology, thus generating abstractions of reality that give their conclusions a less practical character. Furthermore, research focuses on analyzing developed markets, particularly the American or European ones, and adheres to the prevailing neoliberal ideology.

Thus, it is perceived that there is not only an ideological dominance in the field but also that its academic mainstream, being restricted to three major journals, delimits thematic focuses for finance research. In other words, they determine what is a relevant object for these studies, limiting their expansion to other objects and approaches that could generate questioning of this dominance and alternative propositions for financial and economic issues. The bibliometric study by Khan et al. (2022) corroborates this position, signaling the following topics as the most relevant: sustainable finance, cryptocurrencies, financial literacy, supply chain, risk management, behavioral finance, financial markets, corporate governance, and market efficiency.

The ideas of Markides (2007) and Brooks et al. (2019) complement the criticisms of this dominance, as they analyze the lack of dialogue between academia and market professionals, generating two distinct types of knowledge: one strictly based on theories and assumptions, while the other is based on everyday knowledge. Thus, another bottleneck that arises is the delimitation of boundaries between academic and market knowledge, contributing to a devaluation of scientific research and the possibility of new epistemological approaches in the field.

Considering the aforementioned bottlenecks, there is a lack of originality and theoretical development in financial research, and there is low influence concerning social changes (Coleman, 2014; Van Dijk, 2014). Thus, the current modus operandi in academia encourages studies that only reinforce the maintenance of the existing *status quo*, without proper concern for proposing critical reflections or alternative routes to the prevailing neoliberal model (Fine, 2012; Zhang & Andrew, 2014).

THE EMERGENCE OF RESISTANCE STRATEGIES

Paraphrasing Foucault (1977), where power relations exist, there is also the potential for resistance. The field of finance is no exception. Gippel's work (2013) comments on the transformations over the years, highlighting the emergence of new theories as the field became more multidisciplinary, encompassing psychology (behavioral finance), biology (evolutionary finance and neurofinance), and sociology (sociological finance).

In this study, Gippel (2013) reinforces that even with the inclusion of interdisciplinary perspectives, leading to advancements in financial theories, few changes have occurred regarding the use of deductive quantitative models. The only exception comes from the sociological finance perspective, which shows a tendency to include qualitative methods, such as ethnography and phenomenology. However, the author acknowledges that this sub-discipline is still underexplored and largely unknown to much of academia.

Regarding works criticizing the positivist predominance in finance, Ardalan (2003) and Sultana (2020) can be highlighted. Besides emphasizing the limitations of positivism for scientific production, these authors also signal the potential applicability of interpretative and pragmatic approaches in financial studies. Supporting this position, studies employing alternatives to positivism can be identified, such as Ardalan's (2004) Marxist approach questioning personal and ideological interests in financial practices; Langley's (2006) discussion of Anglo-American mortgage financing based on actor-network theory and Foucault; Toporowski's (2018) analysis of long-term financing from a Marxist perspective; Höllerer et al.'s (2018) examination of different narratives of financial crises through semiotic and discourse analysis; and Gerlach and Lutz's (2019) article on institutional and structural changes in banking systems via fintechs.

Despite breaking with epistemological dominance, bringing forth a more critical approach and questioning the neoliberal view, these studies do not occupy mainstream positions in the field, as previously analyzed regarding the imposition of what constitutes quality scientific research by top journals. Furthermore, the scarcity of these studies is evident, confirming reflections on the restriction concerning non-positivist epistemes. However, such research confirms the existence of a resistance movement to the field's *status quo*, as well as the real possibility of elaborating academic work in finance beyond positivism, functionalism, and neoliberal thought.

It is worth noting that this resistance movement is also present in the national scenario. A recent signal of this in the Brazilian academia was the promotion of a roundtable discussion entitled "Impact of Finance Research: Academia and Practice," which took place at the XLVII ANPAD Meeting in 2023. In this session, some gaps in finance research were discussed, such as the lack of studies on micro and small enterprises, or even companies not listed on B3. It is observed that the difficulty of accessing information from organizations in this situation generates sample limitations that render traditional statistical metrics ineffective.

Moreover, some challenges were also debated to enrich the practical nature of academic results, recognizing above all that national studies need to identify and propose solutions to specific problems in Brazil or its regions. Additionally, the issue of the lack of partnerships between the private sector and academia was raised, both regarding access to information and financing for such studies.

From the discussions in this roundtable, it was possible to identify that members of the national scientific community themselves recognize limitations in finance research. Nevertheless, it is necessary to recognize that the scientific community, by agreeing on positivist dominance, ends up maintaining publication standards that do not go beyond what is commonly done, obliterating more critical approaches, as well as other epistemic or methodological approaches.

Despite the acknowledged limitations, high-impact journals still demonstrate considerable static in accepting these changes, reinforcing the maintenance of power dynamics that favor this dominance. Thus, it is necessary to maintain and reaffirm resistance forces to create a rupture that enables a change in the epistemological and ideological configurations of the field.

For those embarking on their academic journey, it may be difficult, if not impossible, to try to escape the observed dominance that operates in the field. This difficulty arises primarily from two factors. Firstly, because the lack of contact with other analytical strands in financial studies can create the false impression that finance cannot be seen from other epistemes. In fact, this aspect permeates field members and, over time, has solidified psychic barriers that act as main forces of resistance to change.

On the other hand, the naturalization of finance as functionalist by area's professors limits, directs, and restricts the dissemination of ideas to students, even when they assume the role of teacher. However, this epistemic narrowing becomes even more evident in the guidance role, as it is at this moment that academic production ideas and research topics are calibrated to remain within a scope aligned with positivist optics.

It is important to emphasize that this is not about disregarding the importance, validity, and contributions of positivist and functionalist approaches, but about expanding the view and seeking other epistemes as a way to go beyond technical interests, also encompassing practical and emancipatory interests, as suggested by Paes de Paula (2016). In other words, it is possible to compose research that covers more than one epistemology, combining, for example, functionalism and interpretivism, interpretivism and criticism, and so on.

In view of this scenario, the need for a plural strategy to effectively enter this field of dispute becomes evident, to subsequently attempt a reconfiguration of power. Firstly, finance researchers need to have greater contact with multiple schools of thought to understand the current configuration and power relations guiding the finance field, and subsequently, they can consider epistemological and methodological alternatives.

In a 'suffocated' field like finance, individuals without the ability to exert influence in the field need to identify ways to bring new epistemic ideas that are not necessarily direct conflict. A different way of analyzing results, focusing on problems involving social well-being, or even proposing questions to productions in the finance area are valid resistance strategies that also have publication potential.

For professors who hold relevance in the field and identify with this resistance to the observed dominance, a bolder movement is interesting. Given the symbolic power they usually have, proposing works and new approaches that challenge positivism/functionalism and neoliberal ideology is a possibility. Another way to resist would be to bring these reflections to the classroom and to their guidance and research partnerships, not in an imposing way, but as another possibility to work with. From another perspective, considering the sociopolitical dimension of actions, it would be important to map institutions and groups aligned with these perspectives to emphasize the formation of alliances and networks of researchers, as well as to insert these themes on the field's agenda in events, congresses, live sessions, and other forms of dissemination that foster this debate. Finally, the creation of journals in the finance area that are more flexible regarding epistemologies and methods of analysis would also be a valid attempt to alter the field's *status quo*.

Therefore, it becomes clear that this fight against positivist, functionalist, and neoliberal dominance cannot be undertaken with just one disordered front of combat. Like any power struggle, multiple movements are necessary to elucidate the naturalization and reification of ideology, identifying the locus of speech of this discourse, that is, the particular interests behind it and who this discourse aims to oppress and silence, enabling new alternatives for thinking about the financial and economic field beyond the neoliberal view to bring perspectives.

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Authorship

Daniel Pereira Alves de Abreu

Universidade Federal de Minas Gerais, Centro de Pós-Graduação e Pesquisas em Administração
Avenida Presidente Antônio Carlos, n. 6627, Pampulha, CEP 31270-90, Belo Horizonte, MG, Brazil
E-mail: danielpabreu22@gmail.com
https://orcid.org/0000-0002-9820-8453

Ana Paula Paes de Paula*

Universidade Federal de Minas Gerais, Centro de Pós-Graduação e Pesquisas em Administração
Avenida Presidente Antônio Carlos, n. 6627, Pampulha, CEP 31270-90, Belo Horizonte, MG, Brazil

E-mail: appp.ufmg@gmail.com

https://orcid.org/0000-0001-8035-472X

* Corresponding Author

Authors' Contributions

1st author: conceptualization (equal), formal analysis (equal), writing – original draft (equal), writing – review & editing (equal).

2nd author: conceptualization (equal), formal analysis (equal), writing – original draft (equal), writing – review & editing (equal).

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