International Journal of Business Management and Economics Research.
Volume 1, Number 1 (2014), pp. 39-41

http://www.irphouse.com

A Psychoanalytic Approach to Financial Markets Instability based on Internationalization Theory

Ramona Birău

PhD, Regional Public Finances General Directorate of Craiova
Craiova, Dolj county, Romania
birauramona@yahoo.com

Abstract

The aim of this research paper is to provide a psychoanalytic approach to financial markets instability based on internationalization theory. Beyond Freudian inherent psychoanalytic dimensions, financial investment behavior is significantly influenced by individual cognitive personality dynamics and developmental stages. The integration of past experiences based on intuitive decision making process highlights the emotional ambivalence, ie the trancedental conflict between the conscious and unconscious mind. Consequently, negative effects degenerate in further increasing financial contagion and international spillover effects. Financial markets instability is investigated by using specific tools of psychoanalysis in order to establish effective investment strategies.

Keywords: financial markets instability, internationalization theory, financial contagion, psychoanalysis, investment behavior

Introduction

A psychoanalytic approach of financial markets is an unconventional initiative designed to achieve a sensible measure of current reality. Financial environment is characterized by an almost intrinsic instability with significant implications for investment flows. Moreover, human psychology is it possible to achieve an overwhelming contribution in order to influence international trade and investment flows.

Practically, financial decisions are not the result of a perfectly rational process but rather an emotional mosaic thwarted in complex theoretical mechanisms. Thus, the potential investment process is influenced by intrinsic factors whose action can not be accurately measurable. The severe instability in financial markets represent an issue of current relevance both for academics and practitioners. An interdisciplinary approach bassed on internationalization theory can provide a reasonable explanation for the unstable behavior of financial market. The volatility of financial environment is essential in identifying alternative analysis tools. Nevertheless, this research article is primarily a critical assessment of a unidirectional economic perspective, beyond the generic substrate of an incomplete theoretical panacea.

Unconventional analysis on financial markets instability

Financial markets are very unstable and their rebalancing process cannot exist for itself as a sine qua non condition. This matter arise and is it self-realizing bassed on the fact that economic cycles are basically defined in terms of periods of growth (expansion) and contraction. However, avoiding or at least reducing the impact of severe periods of crisis in financial markets it is conditioned on compliance with essential strategies in order to avoid panic and ensure the stability of national financial institutions.

The influence of economic, monetary, financial and technical factors holds a massive weight in terms of investment phenomenon dimensions. Considering the topic of this research is important to highlight certain aspects. Technical factors are determined by the widespread use of high performance computers, high-frequency trading, increasingly sophisticated software and communications systems, in addition with the increasing volume of financial transactions, especially speculative trades. Moreover, financial environment has changed dramatically in the context of globalization.

A psychoanalytic approach to financial markets instability based on internationalization theory is an avant-garde interpretation of basic financial concepts. In the collected works of Jung (1980) is highlighted the concept of collective unconscious. Moreover, the archetypes of the collective unconscious is perceived as a physical area of significant importance in decisional terms. Thus, the conceptual substrate of the unconscious is extended as a more elaborate intrinsic perspective. The unconscious, as early psychoanalytic approach was perceived as a conglomerate of states whose content has been forgotten or repressed.

The Freudian approaches of the concept of human unconscious suggest a purely exclusive nature, ie a personal unconscious. Nevertheless, the critical points of current knowledge is rather transcendental and almost impossible to predict with higher accuracy. The unconscious considered as an psychic entity is beyond any interpretative barriers, an agglomeration of issues that already have been forgotten, covered, inhibited or repressed. On the other hand, unconscious is both an immaterial and apparently illogical habitat that germinates future mental reactions.

Generally, the internalization process includes the stabilization of self attitudes, introspection, moral ideas, reflections and beliefs, ie ethical behavior in the light of psychoanalytical methods and procedures. According to Rugman and Verbeke (2008) internalization theory facilitates the assimilation of the existence and functioning of the multinational enterprise (MNE) as well as their boundaries, establishing connections with external environment and generating an internal organizational structure. Moreover, the authors suggested that internalization theory, perceived as a comparative institutional approach, allows assessing the relative efficiency and effectiveness of alternative governance mechanisms in order to manage economic interdependencies (Rugman and Verbeke, 2008).

Conclusions

The significant benefits of internalization are derived from international linkages and global economic interdependencies. In another train of thoughts, internalization theory is focused on minimising effective transaction costs across national boundaries. A psychoanalytic approach to financial markets instability based on internationalization theory an alternative to conventional and restrictive approaches. The substantial implications of unconscious processes in the functioning of international financial mechanisms still remains almost impossible to accurately commensurate based on quantitative finance.

Theoretical limitations of international strategic management contributes to the propagation of financial market imperfections such as severe instability, asymmetric information and cyclical movements. The concept of perfectly competitive financial markets is purely theoretical without having credible representation in the context of the current economic reality.

References

[1] Emambocus, M.A.W, Dhesi, G. “Bubble and Burst: A Psychoanalytic Perspective on Financial Instability” (2010), Global Economy and Finance Journal, Volume 3., Number 2. pp. 165 - 175

[2] Jung, C. G. The Archetypes and The Collective Unconscious (Collected Works of C.G. Jung Vol.9 Part 1), First Princeton University Press in (1969), Bollingen Paperback printing (1980), R.F.C. Hull (Translator), ISBN 0-691-09761-5

[3] Rugman, A. Verbeke, A. Internalization Theory and its Impact on the Field of International Business (2008) Jean J. Boddewyn (ed.) International Business Scholarship: AIB Fellows on the First 50 Years and Beyond (Research in Global Strategic Management, Volume 14), Emerald Group Publishing Limited, pp.155-174, ISBN: 978-0-7623-1470-6