

The Global System of Finance

Scanning Talcott Parsons and Niklas Luhmann for Theoretical Keystones

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Abstract

ABSTRACT. In the last decades, revolutionary changes in financial markets, instruments, and institutions have stimulated empirical and theoretical investigations into the interaction of the financial and the “real” side of economic systems. While a considerable body of empirical investigations seems to provide evidence of positive correlations between stock market development and economic growth, there is no consensus in other social sciences as to whether there are two-way linkages, and if so, how to conceive a possible mechanism of interaction. Particularly, the hypergrowth and ubiquity of financial markets has triggered controversial debates on how to understand today's economic landscape. With the objective of clarifying the relationship between finance and economy, this article restructures the present debate through the lenses of Talcott Parsons's and Niklas Luhmann's theories of social systems. Basic system-theoretical ideas on social aspects of finance and economy as well as on uncertainty and risk hint at new insights into the global system of finance that might go far beyond explanatory models of causality.

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