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Imagined Futures: Fictional Expectations and Capitalist Dynamics, Jens Beckert. Harvard University Press, 2016, ix + 373 pages.

1. INTRODUCTION

Economic agents within a capitalist system hold expectations about the future. Indeed, these forecasts generate economic activity in the first place. For, institutional mechanisms in modern capitalism such as credit and consumption require actors to be future-oriented. Why would you save money, for example, if you do not expect it to retain its value? Traditionally, economists have focused on the *rationality* of these expectations. For instance, rational expectations economics assumes that outcomes that are being forecast do not differ systematically from the market equilibrium results. At the same time, sociologists have stressed the *performativity* of these expectations – the fact that their use by economic agents shapes economic reality, sometimes in a manner that better fits these expectations. The most prominent illustration is the use by economic agents of the Black–Scholes–Merton model for options pricing. In response, financial markets changed in a way that fitted the model. In contrast to both economists and sociologists, Jens Beckert elaborates the *fictionality* of these expectations. For instance, the expectation that money retains its value is such a fiction, in two senses. First, the truth of this expectation can only be verified once the future has become the present. Second, it involves the attribution of symbolic qualities to money. Moreover, individuals share these fictions with others, resulting in a social system of individual and collective expectations that constitute the core and source of advancement in the capitalist system. These fictional expectations could be self-fulfilling, as stressed by economists and sociologists, but they could also be self-defeating. As such, as I elaborate in Section 2 below, the book fits in a longstanding tradition within philosophy of science as well as social science. In Section 3, I offer a summary of *Imagined Futures.* In Section 4, I elaborate on the gaps concerning the past and present that are left due to the book's focus on the future, while in Section 5, I offer additional senses in which especially consumption might add more dynamism to the capitalist system than considered by Beckert.

2. A LONGSTANDING TRADITION

The problem of self-defeating and self-fulfilling public prediction has a long history in philosophy of science and in social science (cf. Grunberg 1986; Hands 1990). Prediction as a primary goal of science was intimately linked to the positivist movement, in order to absolve oneself of 'metaphysics'. Prediction is often seen as one of the main goals of economics, in its attempt to be the most quantitative of the social sciences and make policy recommendations.

In 1944, John von Neumann and Oskar Morgenstern threw some light on the problem of infinite regress in the formation of mutual expectations about behaviour. Reflexive predictions and infinite regress re-entered the stage in 1954, with the work of the Keynesian theorists Emile Grunberg and Franco Modigliani, who gave an existence proof for the claim that social scientists could predict both publicly and correctly even when agents' reactions to such public prediction is taken into account. Grunberg and Modigliani showed that a public prediction will not necessarily alter the behaviour of the relevant agents in such a way as to falsify a prediction that would have been privately correct. In the same year, Herbert Simon also demonstrated that it is possible, in principle, to make public predictions within the social sciences that will be confirmed by the events, by proving that reactions to published election predictions can be accounted for so that appropriately adjusted election predictions can avoid being self-destructive.

Some have argued that the papers by Grunberg, Modigliani and Simon were precursors to the general concept of rational expectations (e.g. Hands 1990). Indeed, rational expectations put the conditions for correct public predictions centre stage. On John Muth's definition, rational expectations are informed predictions of future events and are essentially the same as the predictions of the relevant economic theory, which necessarily includes the expectational response of the agents. Correct public predictions are possible precisely by considering the relevant theory in making the prediction. Furthermore, not only will a public prediction have no substantial effect, it will simply have no effect at all. Hence, if agents have rational expectations, the correct public predictions can still be made, but this is not relevant to the problem which concerned

Grunberg, Modigliani and Simon, since the behaviour of the agents is not affected by the predictions.

Under rational expectations, the economic agents use the relevant economic theory to make predictions. A collection of agents is solving the same optimization problems and the solution of each agent is consistent with the solution of other agents. According to Beckert, this analysis is flawed for a variety of reasons. As he writes in *Imagined Futures*: 'This book concurs with rational expectations theory that expectations matter greatly; however, it takes issue with the assertion that actors' decisions are formed based on expectations that make efficient use of available information and that actors' expectations concur on the dominant macroeconomic model' (39). Instead, the book offers a rich account of fictional expectations and their role in generating economic activity.

3. WHAT DOES THE BOOK CONTRIBUTE?

According to Beckert, expectations are central to the capitalist system, with its institutional mechanisms enforcing future orientation on the actors. In the opinion of Beckert, these expectations are not rational, but fictional, both ontologically and epistemologically. The fictionality of these expectations is ontological in the sense that outcomes are uncertain. In Beckert's words: 'The term "fictional expectations" refers to the images actors form as they consider future states of the world, the way they visualise causal relations, and the way they perceive their actions influencing outcomes' (9). The fictional expectations are epistemological in the sense that they are contingent interpretations. As Beckert explains: 'The term also refers to the symbolic qualities that actors ascribe to goods and that transcend the goods' material features' (9). Moreover, they are social in the sense that they are influenced by collective beliefs and communicative practices. As Beckert summarizes: 'Actors use imaginaries of future situations and of causal relations as well as the symbolically ascribed qualities of goods as interpretative frames to orient decision-making despite the incalculability of outcomes' (9). In turn, these fictional expectations motivate economic decisions, coordinate economic action and thereby impact capitalist dynamics. In other words, imagined futures shape our economic actions and thereby the dynamics of modern capitalism.

Imagined Futures develops this perspective in 11 chapters that are divided into three parts: (I) Decision-making in an uncertain world, (II) Building blocks of capitalism and (III) Instruments of imagination. The first part of the book lays the theoretical foundation for the role of expectations in overcoming uncertainty and dynamizing capitalism and relates Beckert's thesis to literatures ranging from political science to sociology to economics. Political science and sociology are criticized for underplaying the importance of the future and of people's future expectations when trying to understand the capitalist system. Economics is criticized for relying on efficient markets, rational expectations and general equilibrium. Instead, Beckert encourages economics to consider the sociological concept of fictional expectations.

The second part of the book elaborates the channels through which fictional expectations help shape the outcomes in four different contexts: (1) money and credit, (2) investments, (3) innovation and (4) consumption. Let me elaborate. (1) Money and credit rely on fictional expectations concerning the stability of the monetary system and the future credibility of debtors. Money is special because it is worthless in and of itself, while its value at the same time depends on expectations that it may be exchanged for valuable commodities in the future. Credit is special because a debtor's willingness and ability to repay her debt cannot be fully known. At the same time, both money and credit are indispensable for the expansion of capitalism. So are (2) investments, which come in a variety of forms: investments in plants and equipment, financial investments and human capital investments. On the one hand, these are crucial building blocks of capitalist dynamics. On the other hand, their payoffs are fundamentally uncertain. Because of this, economic actors must rely on imaginaries of future states of the world (as well as on conventions) when deciding which investments to undertake. (3) Innovation relies on fictional expectations in the sense that 'projections' of future worlds serve as the roots of technological progress, in the analysis of Beckert that largely follows contemporary innovation studies. (4) Consumption is perpetuated by means of imaginaries of value that consumers attribute to purchasable products. That is, consumers hold fictional expectations concerning the symbolic 'performance' of these goods. With demand thereby outstripping necessity, this is another essential building block for growth of the capitalist system.

The third and final part of the book looks at the instruments by means of which fictional expectations are generated, namely economic forecasting as well as economic theories and models. Economists are notoriously bad at forecasting. As Laurence Peter famously said: 'An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today'. At the same time, substantial resources continue to be spent on economic forecasts. According to Beckert, this is because economic forecasts are instruments for the creation of fictional expectations that help actors to make decisions under conditions of uncertainty. Likewise, 'economic theories and models may be interpreted as instruments that help generate fictional expectations by providing accounts of causal relations with which actors form a cognitive map for predicting the future consequences of present decisions' (17).

In offering a fresh perspective on the dynamics of capitalism, Beckert seeks to open a path for future empirical and theoretical work. This work could set out on new paths, as elaborated in the next section.

4. WHAT DOES THE BOOK FAIL TO CONSIDER?

In its focus on the future, the book pays little attention to the past and the present. Considering the past over a longer period of time, the dynamism of the capitalist system is not only influenced by fictional expectations, but also by the interaction among land, labour and capital. Bas van Bavel (2016), for instance, elaborates convincingly in *The Invisible Hand?* that market economies rise, stagnate and decline and consist of very different combinations of institutions embedded in very different societies. In other words, *Imagined Futures* captures only part of the dynamism of capitalism.

Considering the present over a wider variety of cultures, the role of fictional expectations varies (cf. De Jong 2009). Uncertainty avoidance, for example, is considered to be an important national cultural dimension. It involves a society's tolerance for uncertainty and ambiguity, and reflects the extent to which members of a society attempt to cope with anxiety by minimizing uncertainty. What is relevant for the narrative of *Imagined Futures* is that those countries higher in uncertainty avoidance are less satisfied when their (fictional) expectations are not met. This in turn, influences the dynamic role that Beckert attributes to these expectations.

While the past and present path are largely unexplored in the book, *Imagined Futures* also considers paths that are more winding than suggested in the book. The analysis of consumption is an illustration of this, as elaborated in the next section.

5. WHAT MIGHT HAVE IMPROVED THE BOOK?

Imagined Futures considers consumption to be crucial for the functioning of a capitalist society. In particular, it distinguishes among the physical, positional and imaginative value of goods to help explain the different sources of value for consumer goods in the economy. According to Beckert, the imaginaries of value that consumers attribute to purchasable products are an instance of fictional expectations. In developing his insights, he draws mostly on the relevant literature in economic sociology, but fails to incorporate both historical and recent contributions within the field of economics. His analysis might be enriched by these insights.

While stressing the various values of goods, Beckert neglects the role that income generation plays in making consumption possible in the first place, as elaborated by, for instance, Irving Fisher (1906). In particular, Fisher discerns two types of income: (1) subjective, psychic or psychical income and (2) objective, physical income. Most notably, he finds that two individuals with the same objective income need not enjoy the same subjective income because the 'irksomeness' that earning the income involves may differ between the two. Fisher's argument precedes Tibor Scitovsky's (1976) similar claim that the monetary size of one's income or an economic transaction in general does not say anything about the net benefit involved. In other words, the value of the income required to purchase products differs and thereby influences the value attributed to the consumption that plays such a central role in Beckert's analysis.

Fisher also influenced Kenneth Boulding (1949–1950) to sever the presumed link between expenditure and consumption, while this link forms the basis of the role that *Imagined Futures* ascribes to consumption. In the opinion of Boulding, expenditure on a good does not signal consumption, but only an asset transfer with accumulated goods increasing and the money stock diminishing in the individual's balance sheet. Actual consumption of a good takes place after it is bought, when it wears down. An important implication is that for most commodities it is not their purchase but their utilization that satisfies preferences. Hence, while Beckert appears to ascribe a central role to consumption, he focuses on expenditures instead. Elaborating the differences between expenditure and consumption would improve Beckert's analysis of the dynamism of modern capitalism.

Moreover, Fisher and Boulding find that neither consumption nor income (in their ordinary interpretation) satisfy preferences. Capital, however, does, and it is ultimately the utilization of one's capital stock that satisfies one's preferences. The higher a consumer's capital stock, the larger the flow of services the consumer may derive from it. In addition, both income and consumption can be 'bads', for instance when goods purchased do not add to the consumer's capital stock but are meant to restore this stock. In other words, in focusing on expenditures, Beckert fails to capture the central role played by a consumer's capital stock. What a quick visit to the history of economics reveals, therefore, is that Beckert's analysis of the dynamism of modern capitalism would benefit from closer scrutiny of the value of income, the act of actual consumption as well as the utilization of consumer capital.

Moving on to more recent contributions within economics, the analysis in *Imagined Futures* of the sociology of valuation leaves out the behavioural insights on meaning as a motivational impulse. In a survey, Karlsson *et al*. (2004) present a useful taxonomy of different interpretations of meaning that can considered as answers to the existential questions: 'Who am I?' and 'What do I want in life?'. The authors argue that some of these interpretations of meaning can be integrated in the utility maximization framework that is so heavily criticized by Beckert. If meaning helps an economic actor determine what she wants, it indirectly helps in maximizing utility. Also, as especially George Akerlof and Rachel Kranton (2010) have demonstrated, identity –as the social extension of the self– can be modelled as shaping preferences. These insights serve as a valuable psychological counterpart for the overly sociological analysis of consumption offered in the book.

To be sure, the book offers a rich, sociological account of the symbolic value of goods. However, it fails to provide the substantive dimension with a psychological foundation. At the same time, it is in acknowledging such distinctions and establishing a link between the psychological insights addressed in behavioural economics and the sociological perspective developed in the book that the latter could offer a richer perspective on the central role of consumption in the dynamics of capitalism.

6. CONCLUDING COMMENTS

A book as ambitious as *Imagined Futures* is bound to disappoint by not addressing all capitalist dynamics: Where are capital and labour? What is the role of the state? How does power come into play? At the same time, it is fictional to expect a book to deliver on all these accounts. Hence, notwithstanding its limitations, the book offers an important and original contribution to the understanding of the dynamics of modern capitalism. It does so by establishing close connections between micro processes and macro outcomes. In the process, it convincingly develops a systematic analysis of the role of fictional expectations and offers a rich array of illustrations. The result is a tour de force, combining insights from political economy, political science, economics, sociology, literary theory, history and philosophy and addressing these in an empirical and theoretical manner.

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