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Capitalist Dynamics
Fictional Expectations and the Openness of the Future

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Abstract

Capitalism is an economic and social order oriented toward the future. In this paper, I describe the unfolding of the temporal order of capitalism and relate it to the restless dynamism of capitalism we have observed since the Industrial Revolution. Since the future is open, actors are confronted with the uncertainty of the outcomes of their decisions. What can expectations be under conditions of uncertainty? To answer this question, I introduce the notion of fictional expectations which can be used to describe decisions made under conditions of an open and uncertain future. In the paper's penultimate section, I apply the concept of fictional expectations to the analysis of four crucial processes of capitalism: money and credit, investments, innovation, and consumption. The main thrust of the paper is that in order to understand economic action in capitalism, actors' perceptions of the future need to take center stage. Not only "history matters," but also the "future matters."

Zusammenfassung

Der Kapitalismus als wirtschaftliche und soziale Ordnung orientiert sich an der Zukunft. In diesem Artikel beschreibe ich die Entwicklung der zeitlichen Ordnung des Kapitalismus und setze sie zu dem unaufhaltsamen wirtschaftlichen Wandel seit der industriellen Revolution in Beziehung. Da die Zukunft offen ist, sind Akteure mit der Ungewissheit von Handlungsresultaten konfrontiert. Was sind Erwartungen unter Bedingungen von Ungewissheit? Zur Beantwortung dieser Frage führe ich das Konzept der fiktionalen Erwartungen ein, mit dem sich Entscheidungen unter Bedingungen einer offenen und ungewissen Zukunft beschreiben lassen. Im vorletzten Teil nutze ich das Konzept der fiktionalen Erwartungen zur Untersuchung von vier zentralen Aspekten kapitalistischer Wirtschaft: Geld und Kredit, Investitionen, Innovationen und Konsum. Die wichtigste Überlegung der Ausführungen ist, dass die Analyse wirtschaftlichen Handelns im Kapitalismus die Berücksichtigung der Wahrnehmung der Zukunft verlangt. Nicht nur "history matters", sondern die Zukunft ist ebenso wichtig.

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How can we explain the dynamics of capitalist economies? For most of history, economic wealth developed slowly with only minor fluctuations. It was not until capitalism's expansion in the late eighteenth century that the economy took on the kind of dramatic dynamism that we have witnessed since. National product rose at rates that were previously unknown, initially limited to just a few countries, but now with an ever greater reach. At the same time, this growth has been accompanied by spectacular, endogenously induced economic crises.

The question of what has caused this unprecedented dynamism in the economy is one of the most extensively discussed issues in the social sciences. Economists, sociologists and historians have attempted not only to explain how capitalism has unfolded, but also how economic growth is initiated and expanded (Braudel [1979]1985; Weber [1927]2003; Marx [1867]1977; Schumpeter [1911]1934; Smith [1776]1976). Their findings have focused on technological progress, institutional change, the division of labor, functional differentiation, population growth, increased factors of production, and cultural transformation.

One aspect at the heart of capitalism's dynamics, however, has received only sparse attention: the "temporal structure" or "temporal order" of capitalism. By temporal order, I mean the prevailing cognitive orientation of actors to the time horizons of their economic activities (Bourdieu 1979). In this article, I focus on the temporal order of capitalism and argue that the unfolding of capitalism has been accompanied by the emergence of a profoundly different temporal order – and that this temporal order is actually constitutive for capitalism's dynamics. In a nutshell, I argue that in contrast to traditional economic systems, capitalism institutionalizes an organization of economic activity in which actors orient themselves toward an open and unforeseeable future. Such a future represents both unlimited possibilities for actors as well as a permanent threat to their economic status. At the macro level, the actions induced by this temporal order produce growth as well as sporadic crises, and thus the restless dynamics of capitalism.

This paper begins by commenting on how temporal orders have shifted with modernity's development. It then discusses how a sociological approach to the economy can make use of the insights gained from the analysis of this shift. The terms "expectation" and "uncertainty" are of major significance here. In the final section, the paper shows

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how this approach relates to an analysis of four central "elements" of capitalism: money and credit, investment, innovation, and consumption.

1 The temporal order of capitalism

Any examination of historical shifts in temporal orders will inevitably reference the work of the German historian Reinhart Koselleck. Koselleck (2004) shows how European perceptions of the future have systematically shifted across a period spanning the Middle Ages, the early modern era, and the Enlightenment. In summary, Koselleck argues that the Middle Ages perceived the future as having an historical end point, evident in the apocalyptic prophesying of the time. The early modern period began to understand the future as open, but only within boundaries determined by the existing social and political order. Actors began to perceive the future via prognoses, which led to the practice of calculating the outcomes of political decisions. Visions of the future as *transcending* traditional perspectives didn't emerge until the Enlightenment period, with the future then being imagined as an entirely new world. Koselleck argues that the Enlightenment's theories of history in effect merged prophesying with political prognoses and calculation. This took place against a background of accelerated social change. The future was perceived as being open, different from the present, and uncertain; theories of history were able to give expression to this openness, articulating the idea that the future could be distinct from the present – as the past was also seen as essentially different from the present. A future that was different became evident in theories of history that often proclaimed the arrival of a utopia. Hegel, Marx, and Auguste Comte are just three notable examples of authors whose theories anticipated future processes of societal transformation and their "cognitive containment" in utopian end states.

Koselleck's work in the 1970s on the transformation of temporal orders coincides with sociological approaches being formulated at about the same time. Niklas Luhmann (1976) examined the topic of temporality almost in parallel to Koselleck and largely agreed with his diagnosis. Traditional societies, according to Luhmann, see themselves as living in a perpetual or even eternal present. This perception of the future as a continuation of the present shifted in the eighteenth century with the development of bourgeois society. The future from then on was seen as a "storehouse of possibilities" (Luhmann 1976: 131) containing "emergent properties" and unrealized possibilities. The future became an open future. We experience "our future as a generalized horizon of surplus possibilities that have to be reduced as we approach them" (Luhmann 1976: 141). The openness of the future is simultaneously perceived as a loss of control. As one of Luhmann's students, Elena Esposito, wrote: "The indefinite future is a space of promises and hopes, but it is also a space of possible damage and anguish" (Esposito 2011: 32). Luhmann – like Koselleck – notes that probability theory and ideas about political utopias developed in parallel to the shift in perceptions of the future.

Alongside perceptions of an open future was the development of the term "risk." Risk circumscribes a broad societal phenomenon that emerged only with the modern era. Although dangers stemming from uncontrollable natural or political events had always existed, deliberately extending courses of human action into uncharted territories constituted a new form of insecurity regarding the future, and a new experience of risk. Risk became a relevant concept once courses of action came to be based on projections of a counterfactual future – projections that may not come to fruition, and where the resulting damage is attributed to decision-making and not to fate (Esposito 2011: 32). Like the concept of the future as an open space, the concept of risk is therefore also historically rooted. It appeared in the sixteenth and seventeenth centuries in the context of Western explorations of the world (Giddens 1999: 1). It originally referred quite literally to sailing into uncharted waters. Risk and the notion of an open future conceptually belong together. "Risk refers to hazards that are actively assessed in relation to future possibilities. It only comes into wide usage in a society that is future-oriented – which sees the future precisely as a territory to be conquered or colonized" (Giddens 1999: 1).

2 Economic detraditionalization

Koselleck, Luhmann, and Giddens all observed the shifts in temporal orientation that occurred in the early modern and Enlightenment periods. But their analyses were mainly concerned with describing the development of modern society in general, using examples of political rather than economic action to put forward their arguments. But how do perceptions of an open and uncertain future relate to the development of the capitalist economy?

In the 1950s, Pierre Bourdieu examined transformation processes in the social and economic order of the Kabyle people in French-controlled Algeria. His ethnographic descriptions and statistical analyses are among the best work Bourdieu ever wrote. At the heart of these analyses stand observations on changes in the temporal order within Kabylian society (Bourdieu 1979). Like Koselleck and Luhmann, Bourdieu also observed how perceptions of an open future developed. Instead of the future being perceived as a continuation of the present – as had been the case in the traditional Kabylian social order – it came to be experienced as an interminable breakdown of the existing order. Bourdieu, however, went further than Koselleck and Luhmann by seeing this development as being directly related to the spread of capitalism. The modernization that Bourdieu describes is therefore first and foremost a capitalist one. As economic transactions came increasingly under the control of money and markets, the traditional Kabylian social order weakened. Money and market exchange brought about attitudes based on calculation and future profits that contradicted and undermined a traditional economy built on solidarity and the "logic of honor."

Bourdieu was not arguing that the traditional Kabylian economy was "future blind." Kabylian farmers were acutely aware of the need for future planning. However, their concern was for what Bourdieu described as "direct goods," – i.e., goods to satisfy concrete needs. Provision had to be made for failed harvests or illness so as to ensure the family's survival as well as its social status. In Marx's terminology, this is an example of an economy organized around "simple reproduction." The capitalist economy, by contrast, operates on a logic of accumulating money, the quintessential "indirect good." With the use of money came a perception of a future that was distant and abstract, one that was based on calculation and forming "an absent, imaginary vanishing point" (Bourdieu 1979: 7).

Bourdieu's interest lay in the conflicts within Kabylian society, conflicts that were triggered by differing forms of economic thinking and new practices which were ultimately destroying the traditional social order. A similar detraditionalization conflict and the clash between traditional and modern capitalist forms of the economy have also been extensively documented in the European process of industrialization (Swedberg 2003; Thompson 1967; Weber 1922). In all these conflicts, the destruction of traditional time orders played a crucial role. Max Weber ([1927]2003), for example, described how in the nineteenth century, Silesian peasants failed to respond to incentives aimed at raising their productivity. Employers attempted to motivate them to work longer work hours and with greater discipline by offering higher wages. But instead of putting in longer hours to enjoy higher living standards in the future, the laborers decided to work less. Contrary to the expectations of landowners (and economists), "it was futile to double the wages of an agricultural laborer in Silesia who mowed a certain tract of land on a contract, in the hope of inducing him to increase his exertions. He would simply have reduced by half the work expended" (Weber [1927]2003: 355). Many examples exist of this kind of traditionalist reaction to capitalist incentive structures, reactions which – even in developed capitalist societies – have not yet run their course.

3 Institutional preconditions for an open economic future

The discussion here is not primarily about the lines of conflict that emerge in processes of detraditionalization, nor is it my intention to criticize the breakdown of traditional ways of life through capitalist calculation and the use of money. My aim is rather to highlight the shift in temporal orientation as being at the core of capitalism's unfolding dynamic. Detraditionalization of economic relations in the emerging capitalist order means that actors – whether they are companies, entrepreneurs, investors, employees or consumers – must orient their activities towards an open and uncertain future. Accepting such a temporal order promises (but by no means guarantees) unprecedented opportunities for profit and higher social status for the economically successful, but it also entails hitherto unknown risks for actors. The ways in which this characteristic of temporal orientation in the capitalist economy has asserted itself can be historically traced. It requires that actors become detached from traditional temporal orientations and that they are enticed to make decisions on the basis of an imagined, distant, and abstract future state of the world.

Preconditions of an institutional and personal nature are required in order for actors to be disposed to the future in this way. *Institutionally*, the increasing organization of economic exchange via competitive markets and the growing assertion of money as a medium of exchange compel economic relations to become detraditionalized. Competitive markets enable actors to systematically compare the quality and price of goods and to depersonalize processes of exchange. Markets encourage rational calculation and impose on the morality around traditional economies. Especially significant here is the development of labor markets that make labor a commodity and override traditional forms of employment.

The compulsion to actively look towards a changed future emerges primarily from the mechanism of competition. An economy in which every actor constantly anticipates being ousted by his competitors pressures actors into proactively altering products, the organization of production, or their own competencies in order to maintain their future competitiveness. Such proactiveness then requires all other actors in the market to respond in a similar way. In capitalism, you "have to force yourself to the front just to avoid dropping behind; this system of competitiveness – with its never-ending innovations – does not permit just maintaining the status quo, or does so only in niche markets" (Kocka 2013, my translation).

A second institutional mechanism that compels a future-oriented approach going beyond simple reproduction comes about through the use of money as a medium of exchange. We can refer here first to the significance of "money of account" as an instrument of calculation – a significance which Weber, for example, clearly perceived. Money provides a metric that enables actors to categorize goods under purely economic terms. Money also frees actors from the limitations of barter, thereby facilitating the expansion of market relationships. Although markets are not necessarily dependent on money, money is required to organize the complex relationships of exchange in modern economies. All capitalist markets are markets that utilize money. Furthermore, money detaches economic endeavor from concrete needs – i.e., from Bourdieu's "direct goods." As Georg Simmel ([1907]1978) recognized and astutely described, the desire to accumulate money knows no bounds. Christoph Deutschmann (1999; 2009) incorporated this analytical insight into his theory of the capitalist dynamic by referring to capitalism as a "utopia of absolute wealth." An economy in which money functions as a store of value provides an institutional basis for growth dynamics that have little to do with meeting concrete needs. Profit, rather than the gratification of needs, is the objective of capitalist economic activity. Under capitalism, money eliminates the question of "haven't we got enough?” At the same time, any investment is inherently linked to the future. And money, as long as it remains valuable, secures a right to own goods that are still to be created at some future point.

Money also provides a further mechanism to steer economic activity in the direction of dynamic change. In capitalist economies, money is primarily generated through lending. Schumpeter ([1911]1934) was entirely correct in seeing the specifics of capitalism residing in financing through credit. But credit, according to Schumpeter, is a right to own goods at a point in time when a “normal claim” (Schumpeter [1911]1934: 214) to these goods does not (yet) exist. This claim can be met only with the future production and sale of the goods promised at the outset. Success is only achieved if the value of the goods sold on the market is higher than the invested value so that the credit plus interest can be repaid. Capitalism as a credit-based economy is therefore dependent on growth. Credit compels a calculative orientation towards a futur*e* that *is different* from the present.

4 Imagined futures

I mentioned above that the future-oriented temporal order of capitalism requires both institutional and personal preconditions. Competition and money have been referred to as institutional preconditions. However, the dynamism of a social system emerges not through structural mechanisms as such, but through the activity of agents. The clashes described by Bourdieu and social historians between the modern – meaning capitalist here – and traditional economic orders reveal that the early development of capitalism encountered severe problems because of the temporal disposition of actors who resisted its operational logic.

But what does the capitalist dynamic demand from actors? Generally speaking, it is the human capacity to imagine future states of the world that are different from the present and a willingness to act in a way that is oriented toward such imagined futures (Beckert 2013). This can be illustrated based on the action theory of Alfred Schutz. According to Schutz (1962), action takes place on the basis of projections that he describes as “projects.” For Schutz, a project is a plan – a potential way of acting that actors believe will deliver specific yields. Before performing an action, actors use projections to take themselves into an imagined future in which the action will have been completed (Schutz 1962: 20). In this sense, projecting is anticipating “in the future perfect tense” (Schutz 1962: 20).

The ability to imagine future states of the world is universal to human beings. It neither emerged with capitalism nor is it restricted to economic phenomena. The prophesied apocalypses of the Middle Ages or religious belief in an afterlife are also imagined futures. However, they are imagined worlds of a religious nature. The claim here is that a capitalist economy can develop only when ever greater numbers of people act in ways that are oriented toward an open *economic* future – an imagined future of limitless possibilities, both for wealth acquisition and for new types of risk. Wealth acquisition and risk are related: financial assets can be instruments for speculation, an insurance against the unforeseeable risks of an open future, and are also perpetually at risk from competition and inflation.

Respite under such conditions is impossible. New projections concerning new opportunities and possible risks are constantly required. Capitalism's dynamism can be understood only by taking into account both institutional change and the shifting action orientations of actors. Capitalism requires that actors reject traditional temporal dispositions and develop a cognitive awareness of a future that is both open as well as uncertain.

5 Expectations

This, then, places actor expectations at the forefront in explaining economic activity and the dynamics of capitalism. Explaining capitalist dynamics by focusing only on prevailing structures and historical developments ignores the significance of actors' perceptions of the social world. Despite this shortcoming, structuralist approaches are commonplace in the social sciences.

The notable exception to this is economics. Up until the early twentieth century, economics was also mainly an historical discipline. Since then, however, explanatory models that focus on actors' expectations have moved to center stage. Economists view rationally calculating actors as making decisions on the basis of a calculated future pay-off that is discountable against the present value. It is the expectations of future states of the world, therefore, that explain present-day decision-making. This explanatory model, in the form of the theory of rational expectations, has become the dominant microfoundation of modern macroeconomics. This stands in stark contrast to sociology: "While sociologists see present events as a final outcome emerging from the past, economists reason backwards from the future: Decisions are explained by the present value of expected future rewards" (Abbott 2005: 406).

The argument presented here concurs with economic theory in seeing the future as playing a major role in explaining the present. To be precise, of course, it is *expectations* to the future that play such a role. Despite this correspondence with economics in the significance I assign to the future, the approach I pursue criticizes economics for having an erroneous description of expectations that limits the understanding of capitalist dynamics.

The rational expectations model assumes that economic actors make decisions based on all available information and are therefore able, at least on average, to accurately predict the future from a present point in time. Errors in actor estimations are randomly distributed and are thus insignificant for average outcomes. To explain decision-making in this way not only assumes that all actors are efficient in processing information, but also that information relevant for the future is available in the present, and that statistical extrapolation of future events is indeed possible from the past.

The idea of seeing the future as being at least probabilistically foreknowable was already being criticized within economic theory in the 1920s and 1930s. Most prominently, this can be seen in Frank Knight's ([1921]1985) distinction between risk and uncertainty. Here, events are differentiated according to whether they are predictable through probability calculus, or whether they possess a uniqueness that denies such prediction. Knight characterizes the former as risky and the latter as uncertain. It is only in situations characterized by risk that future outcomes can be (probabilistically) calculated.

Knight is in no way the only economist who claims that the future is unforeseeable. Most prominent among those who share this view is John Maynard Keynes ([1936]1964), who fully concurred with Knight on this issue. In a well-known passage from chapter 12 of his *General Theory,* Keynes writes: "The considerations upon which expectations of prospective yields are based are partly existing facts which we can assume to be known more or less for certain, and partly future events which can only be forecasted with more or less confidence" (Keynes [1936]1964: 147). For Keynes, the reason for the indeterminacy of expectations is the uncertainty of the future. Expectations, Keynes asserts, "cannot be uniquely correct, since our existing knowledge does not provide a sufficient basis for a calculated mathematical expectation. In point of fact all sorts of considerations enter into the market valuation which are in no way relevant to the prospective yield" (Keynes [1936]1964: 152).

Once the idea of rationally forecasting the fundamental value of assets is given up, it is clear that market valuations then depend on expectations which cannot be determined through the efficient use of the available information, as in rational expectations theory, but are instead contingent on the actors' interpretation of the state of the world. But on what basis do actors actually make their decisions? Keynes himself indicates three lines of response to this question. First, actors can base their decisions on the assumption that the "existing state of affairs will continue indefinitely, except in so far as we have specific reasons to expect a change" (Keynes [1936]1964: 152). Note that this is simply a conventional form of behavior, not one based on actual knowledge of future states of the world. Second, Keynes suggests that actors base their decisions on emotions, which he captures in the notion of "animal spirits." Under conditions of uncertainty, emotions prevent actors from retreating into a state of inactivity. "[I]ndividual initiative will only be adequate when reasonable calculation is supplemented and supported by animal spirits, so that the thought of ultimate loss which often overtakes pioneers, as experience undoubtedly tells us and them, is put aside as a healthy man puts aside the expectation of death" (Keynes [1936]1964: 162). Finally, on the stock market, the individual investor bases his decisions not on information (however inadequate) regarding the fundamental value of assets, but rather on his expectations regarding the expectations of other investors. Hence, investment decisions in markets are guided by the projection of short-term market opinion. Here, Keynes uses the metaphor of a beauty contest in which the prize is awarded to the person whose choice corresponds most closely to the average opinion of all the competitors.

Expectations play a key role in Keynes' theory because he sees investment and consumption decisions as evolving largely from changes in expectations. These, in turn, influence the business cycle – i.e., capitalist dynamics. The Keynesian economist George Shackle developed these ideas further and made future uncertainty central to the concept of expectations. Because the "content of time-to-come is not merely unknown but nonexistent, and the notion of foreknowledge of human affairs is vacuous" (Shackle 1983: 33), any theory that proceeds from the knowability of the future is misguided. For Shackle, however, more so than for Keynes, the contingency of expectations due to uncertainty is not a threat to stability and a cause of economic crisis, but rather a presupposition for creative changes in the economy through choices based on imaginaries of future states of the world. Choice, according to Shackle, takes place "amongst imagined experiences" (Shackle 1964: 12). In a universe of ultimately creative thought, imaginations have an originating force and cannot be considered to be based on probabilities, because "probabilities can only be meaningfully assigned to the items of a complete list of contingencies" (Shackle 1964: 13).

6 Fictional expectations

So how can expectations be characterized if we can't understand them as a preview of a future present? I suggest describing expectations under conditions of uncertainty as "fictional expectations." By this, I mean that expectations are images actors form regarding future states of the world, causal relations, and the ways they see their decisions impacting on outcomes. These imaginaries of future situations and causal relations provide orientation in decision-making *despite* the incalculability of outcomes. This takes uncertainty as understood by Frank Knight and John Maynard Keynes seriously. Expectations are seen as being central to economic activity, but they are not subject to objectification as in rational expectations theory. "Fictionality" must, at the same time, be distinguished from "falsehood" or "fantasy," although these meanings are indeed also conveyed within the term. In the economy, actors certainly do try to anticipate future developments as well as they possibly can. Under conditions of uncertainty, however, these anticipations correspond only by chance to actual future states of the world. Expectations cannot be predictions of the future: they are mere imaginations of future states – imaginations upon which actors base their behavior "as if" these expectations actually did describe future states and causal relations (Beckert 2013). Actors are motivated by an imagined future and organize their activities based on this depiction. Fictional expectations are representations of a future world whose truthfulness cannot be known. Using Niklas Luhmann's terms (1996), these representations involve a "doubling of reality" which forms the basis for decision-making and the coordination of economic action.

What do fictional expectations have to do with capitalist dynamics? The mechanisms of competition and money demand that actors constantly operate in reference to an uncertain future. Surviving and making profits in the future requires investment and innovation and the acceptance and lending of money – and it requires that consumers perceive new products as possessing utility or conveying social prestige. At the same time, the outcomes associated with concrete decisions are uncertain. Capitalism can develop only when the willingness to act prevails, despite the incalculability of the future. The basis for this is expectations, which are necessarily fictional in the sense described here.

Keynes warned at the same time against the assumption that the willingness to take risks in the expectation of future profit or increased social status is a foregone conclusion. Capitalism is constantly at risk that the uncertain future will paralyze actors, leading to the underemployment of production factors, and thus resulting in economic crises. The term "crisis" here means nothing more than a collapse of expectations for future opportunities and a foreshortening of future perspectives. Keynes termed the resulting inactivity of actors "liquidity preference," which can be understood as the unwillingness of investors to engage in investments that would expose their wealth to unforeseeable risks. Operating against the danger of paralysis are the "animal spirits," a somewhat imprecise and psychologizing term that nevertheless expresses quite well the fragility of the expectations that compel action and drive capitalism forward.

Imagined futures, because of their fragile nature, require constant encouragement in the face of the inevitable uncertainty surrounding the outcomes of action. The improbability of meeting this challenge is clearly evident in the multitude of failed investments and innovations, the devaluing of financial assets in times of financial crises, and consumer dissatisfaction with products they had desired at the point of purchase. Viewed from this perspective, capitalism's extraordinary power – and at the same time its Achilles heel – is its ability to motivate actors to take risks despite the uncertainty of achieving desired outcomes and the likeliness of disappointment. For this, actors need to convince themselves – and be convinced by others – that their decisions, despite all the uncertainty, will deliver positive outcomes.

The uncertainty entailed in a situation makes expectations contingent – expectations may differ between actors and may change in unpredictable ways over the course of time. However, this results not only in capitalism's fragility but also in its innovative power. The fundamentals of capitalism's dynamics exist in the relationship between the human ability to imagine and the incalculability of outcomes. According to George Shackle, "imagined experiences" (Shackle 1964: 12) which underlie decision-making possess a creative energy precisely as a result of their probabilistically unforeseeable nature.

At the level of social interaction, fictional expectations are crucial both in producing a willingness to act and for coordinating action. Furthermore, expectations do not emerge in an institutional, cultural, or political vacuum. The social basis of expectations is to be found within the economy's institutional structuring, in norms and cognitive frameworks, in social networks, and within the power structures in which market actors find themselves. Capitalism's institutions – be they accounting rules or the state's protection of property rights – can be analyzed according to their contribution to those expectations that encourage action by widening temporal perspectives, encouraging and demanding creative responses, as well as fostering a willingness to take risk. Explaining capitalist dynamics therefore requires that we take structural factors into account, albeit with reference to their impact on social action. Long-term credit, for instance, is more likely to be granted where property rights are effectively protected.

Fictional expectations require – in addition to their institutional basis – consideration of their political dimension. The contingent nature of expectations makes them open to interest-based politics. If decisions have distributive consequences, and if decisions are based on expectations, then actors have an interest in the expectations of other actors. Influencing expectations has become a central task of both political regulation and business and is a major part of discourses on business and the economy. One example of this *politics of expectations* for macroeconomic policy-making are the central bank reports on the state of the economy and their suggestions for future monetary policies (Holmes 2009). An example from business is the marketing activities of firms. Through the instrument of marketing, economically powerful firms shape the imaginaries of consumers. This communicative creation of value is an important part of the politics of expectations. The analysis of how expectations are influenced by powerful actors in the economy can be seen as a contribution from economic sociology to political economy.

7 Four elements of capitalist dynamics

The way in which fictional expectations relate to capitalist dynamics can be elaborated by examining four central "elements" of capitalism. The dynamic being referred to here could be economic growth arising from activities based on the perception of opportunities in the future. It could also refer to the triggering of economic crises through economic projections that have resulted in paralysis. The actual activity that gives a capitalist economic order its dynamism comes about only by projecting into an unknown future that is perceived by actors as credible – i.e., through "doubling reality." The four elements we will discuss briefly here are money and credit, investment, innovation, and consumption.

Money and credit

Money's centrality to the workings of capitalist markets has already been mentioned. In modern economies, the value of money is not underwritten by a valuable commodity (such as gold), but is merely fiat money created partly by the state but mainly by private banks as part of the process of lending. Such money is nothing more than the expectation that an intrinsically worthless token can, at some future time point, be exchanged for goods of worth within the currency area in which the token is accepted as a means of payment. Money's value derives from the expectations concerning its liquidity and stability. The economic historian Philip Mirowski (1991: 580) accurately referred to these expectations as the "fiction of a monetary invariant." It is a fiction because monetary stability depends on the actual commitment of central banks to low inflation, on banking regulation, and on macroeconomic development in the future, all of which are uncertain (Ganßmann 2012: 230ff.). As the history of monetary crises shows, the devaluation of money is a recurrent phenomenon. Nevertheless, in a money economy, actors must act *as if* the value of money were invariant in order to accept money as means of payment and abstain from wage and price increases in anticipation of inflation. Because the future is open, the expectation of the stability of money requires, as Georg Simmel argued, an element of "supra-theoretical belief" or "social-psychological quasi-religious faith" (Simmel [1907]1978: 179). Such subjection to forces that are neither predictable nor controllable probably finds its clearest expression on the American bank notes: "In God We Trust." Money is valuable only as long as the belief in its stability prevails.

The contingent nature of this expectation poses a constant and latent threat to the monetary system and accounts for the massive communicative effort by governments, central banks, politicians, economists, and statisticians to make money appear stable. The stability of money is thus created discursively in the economy itself through the formation and reinforcement of its credibility.

Credit is intrinsically linked to money and is another indispensable element of capitalist economic growth. Through credit, an investor obtains purchasing power in the present against a promise – the promise to repay the principal at a specified point in time, together with an additional sum called interest. As mentioned above, Schumpeter ([1911]1934: 95) even defined capitalism as a system of indebtedness. Credit relations depend on expectations. In order for credit relations to come into existence, the creditor must hold the expectation that he will be repaid the loan plus the agreed interest at the point in time stipulated in the contract. Hence, credit relations are anchored in the *credibility* of the borrower's promise to repay the loan, which has its basis in an assessment of the debtor's trustworthiness (see also Carruthers/Stinchcombe 1999).

What makes credit so interesting from a sociological perspective is that the expectation that a debtor – whether a private person, an organization, or the state – will indeed live up to the promise to repay the loan can never be fully rationally calculated because the future cannot be foreseen. Since the ability and willingness of the debtor to repay the loan are ultimately uncertain, the expectations of creditors are fictional in the sense that they are based on beliefs (*credere*!) in the risks associated with the credit. Hence, if capitalist expansion depends on credit, capitalist societies must succeed in creating an expectation in the owners of capital that the promise entailed in the credit relation will indeed be honored.

Viewed from an historical perspective, the ability to expand credit relations by expanding expectations of trustworthiness has been one of the most important – but often unnoticed – preconditions for the unfolding of capitalism. The development of modern credit and monetary systems depends on the emergence of institutional trust devices. However, the institutional safeguards have not led to the disappearance of uncertainty in credit relations. Despite institutional safeguards such as credit rating, malfeasance remains a threat to creditors, as can be seen in such spectacular instances of fraud as the bankruptcy of Enron or the Ponzi scheme run by Bernard Madoff.

A further source of vulnerability is the unpredictability of the debtor's economic success. Debtors may be fully committed to repaying their loans, but the market may turn against them so that consequently they are *unable* to repay their debts. Future economic developments cannot be foreseen, either by debtors or by investors. Credit decisions, like any other investment decision, are therefore based on what John Maynard Keynes called the state of confidence. This, however, is nothing but the expectations of creditors regarding the debtors' creditworthiness. If entrepreneurs have pessimistic expectations regarding the economic outlook, they will reduce their borrowing. At the same time, the owners of financial wealth will develop a preference for liquidity and charge higher rates of interest to debtors in precisely those situations in which firms or the state need additional liquidity (Keynes [1936]1964). By withholding capital from its employment in the production process, economic output is reduced. Fictional expectations determine the level of investment and lie at the root of business cycles and financial bubbles.

Investment

A further central element of capitalism concerns rationally calculable investments whose goal is profit. Economic textbooks – and also Max Weber – describe investment as a process of complex mathematical calculation. This suggests that investment outcomes can be predicted and that alternative investment options can be weighed against each other. However, the multitude of both failed investments as well as those with gains far exceeding expectations – for example Google or Facebook – reveal the inadequacy of seeing investment outcomes as fully calculable. Studies into the practices involved in investment decisions show a much more complex picture. Businesses do, of course, make great efforts to calculate the returns on their investments. But ultimately their decisions tend to be a mix of calculation and intuition, accompanied by "fictional expectations." Geny Piotti (2009) examined how German companies reached decisions about relocating to China. They had high expectations that were often disappointed. When questioned about the original motivations behind their decisions, the managers referred to the general euphoria around China as a land of opportunity, a euphoria they compared to the American Gold Rush.

Innovation

Innovation is the third central element of capitalism. According to Schumpeter, capitalism is a dynamic economic system precisely because of its processes of creative destruction. His analysis of innovation in his *Theory of Economic Development* ([1912]2006) is well worth closer examination. Schumpeter writes that new combinations exist initially only in the consciousness of the entrepreneur. While the majority of actors are trapped in their routines, some actors "with more acute intelligence and a more active imagination envisage countless new combinations" (Schumpeter [1912]2006: 163).[1] Hence, innovations begin with imaginaries that lead the entrepreneur to "adapt his economic activities accordingly" (Schumpeter [1912]2006: 165). The entrepreneur will, based on the imaginary of a new combination of factors, change the assessed value of the goods on offer in the market and change demand for products. At the outset, innovative activity is motivated by a utopian vision which shows a pretended future reality. The late Steve Jobs is the exemplification *par excellence* of the creation of successful innovations through the communication of imaginaries, captivating the computer industry and large consumer groups.

Rationally calculating innovations is impossible because of the open nature of the future. The majority of innovations fail, and the history of predicting future technologies is a history of unfulfilled hopes. But in a capitalist economy, actors – including organizations – have to be persuaded to attempt new combinations in spite of the uncertainty surrounding innovation.

Such willingness has a structural basis and requires communication. Christoph Deutschmann (2009) indicated that modern, normative orientations such as the quest for equality and meritocracy – however insufficiently put into practice – enable individual social mobility, making it possible for actors to imagine a better life by achieving economic success. Social advancement is a main motive for entrepreneurs to pursue practices that deviate from the norm. This recalls the need for detraditionalization as a precondition for the capitalist dynamic. At the same time, innovation processes and the surrounding discourses generate messages of hope for a better world. These are expressed in innovation paradigms which evoke visions of future benefits in order to entice actors away from risk aversion and inactivity. The iconography around Steve

1 This part of Schumpeter's book was not translated in the English translation from 1934. I therefore quote from the German edition and have translated the quotes myself.

Jobs' public appearances whenever Apple introduced a new product can be analyzed to see how fictional expectations become established discursively. The aesthetic reductionism typical for these performances created an aura of the sacred in which new Apple products were presented as saviors.

Consumption

The fourth element of capitalism to be discussed here concerns consumption. The current dominance of supply-side economics makes it easy to overlook the fact that capitalism's dynamic is ultimately dependent on customers' purchasing new products. Keynes, as well as Daniel Bell (1976), have made this clear from very different perspectives. Private consumption accounts for two thirds of economic performance in the American economy.

But why do consumers continually demand new products? Once their basic needs have been satisfied, they could just decide to work less. This, however, would bring a capitalist economy to a standstill. Capitalism must succeed in continuously motivating consumption (Beckert 2011). In the process, fictional expectations are significant in two aspects.

First, they generate positive associations to products prior to their actual purchase. For example, the automobile industry creates symbolic associations with transcendent values through its advertising and through the fantasy worlds depicted in automotive journalism. Automobiles promise, among other things, freedom, security, power, independence, and a way to experience the great outdoors. Such symbolic links to the transcendental are playing an ever greater role in motivating consumption in the saturated economies of developed capitalism. Second, customer expectations are fictional in the sense that a product initially acquires value narratively through interpretations of its materiality. These expectations are fictional because they concern associations prior to the purchase of a product that evoke an excess of expectations for future gratification to actually motivate the purchase. Possibly the most extreme example of this kind of evocation through anticipation is the lottery (Beckert/Lutter 2007; 2009). This product gratifies the consumer by evoking the chance of a new life.

Where does the dynamic for the need to consume emerge? This is important in order to explain capitalism's dynamic. Only with continuous demand for new products can profits be generated to keep the system moving forward. Georg Simmel referred here to two crucial mechanisms. The first is the trickle-down effect, whereby the imitation of consumption decisions devalues a product's properties of distinction that social groups use to establish identity. In order to maintain social distinctions, newer and different kinds of consumption are therefore constantly required. Second, Simmel observed that the act of buying in itself leads to a devaluation of the object. Value, according to Simmel, emerges at a distance between the subject and object, and disappears once this distance has been breached.

> We desire objects … in terms of [their]distance as something not-yet-enjoyed, the subjective aspect of this condition being desire. … The object thus formed, which is characterized by its separation from the subject, who at the same time establishes it and seeks to overcome it by his desire, is for us a value. The moment of enjoyment itself, when the separation of subject and object is effaced, consumes the value. Value is only reinstated as contrast, as an object separated from the subject. (Simmel [1907]1978: 66)

Capitalism's dynamic within consumption is therefore also based on actors' expectations of a future world different from the present. It is a dynamic that intensifies with increased social competition emerging from the breakdown of social barriers and the loosening of traditional restrictions on individual social mobility. At the same time, it is a dynamic that is propelled forward by the tools of marketing. Consumption is fragile, and the extent of this fragility is evident not only from the increasing share of production costs taken up by marketing, but also from the need of businesses to penetrate ever deeper into consumer identities – for example, through the accumulation of personal information from consumers' internet usage.

8 Conclusion

The approach to capitalist dynamics I have shown here has two aspects. First, that a theory of capitalist dynamics is incomplete when based only on macro phenomena such as technological progress, the division of labor, institutional change, or the growth of factors of production. What needs to be explained is how these aspects are related to social action. Ultimately, it is what actors do that gives a social system its dynamism. A theory of capitalist dynamics therefore requires a micro basis.

The second proposal made here is that expectations should be seen as central to the explanation of economic outcomes. Contemporary economic theory is doing this. However, its model of a calculative preview of the future via rational expectations is questionable. The future is open, nonlinear, and informed by the type of uncertainties referred to by Frank Knight. Under such conditions, expectations can be nothing other than "fictional;" they "pretend" future states of the world. If the future is not rationally calculable, these fictional expectations are contingent. And this is what makes expectations such an interesting topic. When expectations are contingent, but also relevant to distribution because decisions depend on them, then capitalist competition is essentially a battle to establish and alter expectations. This applies equally to financial markets, to the entrepreneur wishing to relocate production to China, or to the firm wanting to sell its new smartphone. Contrary to economic theory and its behaviorist variants, such expectations are not individually determined, but are rather the outcome of political, cultural, and social conditions and processes. In short, expectations emerge within a capitalist economy as a communicative process informed by cultural traits and social power, a process which at the same time is at the heart of market struggles.

Focusing on the significance of expectations for economic outcomes provides an intriguing research agenda for economic sociology. It demands not only that we identify how expectations impact decisions; it also demands an understanding of the social, cultural, and political origins of expectations as well as their changes. It equally holds true that by focusing on expectations, sociologists need to reexamine their explanatory models. Present-day action is not to be understood just as the ultimate outcome of past events but rather as an outcome of perceptions of the future: it is not just that "history matters," but also that the "future matters."

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