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## UNCERTAINTY AND THE SOCIAL ORDER OF THE ECONOMY: INTRODUCTION TO THE ECONOMIC SOCIOLOGY OF JENS BECKERT

Jens Beckert is a central figure among the second generation of economic sociologists who emerged following the discipline's revival in the 80's and the pioneering work of Mark Granovetter, Harrison White, Paul DiMaggio, Viviana Zelizer, Frank Dobbin, Richard Swedberg, and Neil Fligstein. Over the last 20 years his work has greatly contributed to the institutionalization of economic sociology in Europe. Since 2005 Beckert has been the director of the Max Planck Institute for the Study of Societies (MPIfG), one of the leading research institutes for economic sociology and political economy.

Beckert is currently one of the central theorists working in economic sociology. Social theory is concerned with three main questions: What is action? What is social order? What determines social change (Joas and Knöbl 2009: 18)?<sup>1</sup> Beckert has been investigating these questions with reference to the economy. He has written extensively on the concept of economic action (Beckert 2003; Beckert 2013b; Beckert 2016; Joas and Beckert 2001), the problem of economic order (Beckert 1996b; Beckert 2009; Beckert 2016), and economic change (Beckert 2010a; Beckert 2010b; Beckert 2016). What characterizes his theoretical work is that it starts out from the fundamental theoretical problem in economic sociology: Why should sociologists study the economy when a discipline called economics already exists (Beckert 1996a; Beckert 1996b)?

An introduction to his work can be done by looking at four articles that should be considered his programmatic statements (Beckert 1996b; Beckert 2009; Beckert 2013a; Beckert 2013b). In "What is sociological about economic sociology? Uncertainty and the embeddedness of economic action" (Beckert

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<sup>1</sup> These three questions as the foundation of social theory were introduced by Hans Joas, who was Beckert's dissertation supervisor and later collaborator (see: Joas and Beckert 2001).

1996a; Beckert 1996b), an article stemming from his dissertation (Beckert 1997; Beckert 2002), Beckert laid out a theoretical agenda for economic sociology centred around the concept of uncertainty. The notion was borrowed from the economist Frank Knight, who distinguished between risk – a situation where individuals can assign a probability distribution for possible states of the world – and uncertainty – a situation where this is impossible (Beckert and Dequech 2006; Knight 2002). By making uncertainty the central notion for economic sociology, Beckert put forward a strong critique of the microfoundations of economic theory (i.e. rational choice theory). Up to that point economic sociologists had usually argued that people do not behave in the way economists assume they should. Real humans – compared to *homo oeconomicus* of economic theory – make mistakes due to their “bounded rationality” (Simon 1982); more importantly, they are often driven by social norms and values and not by economic profit alone. Actors are culturally, politically and cognitively embedded in society (Zukin and DiMaggio 1990). Beckert’s innovation was to introduce a more fundamental critique: he argued that not only do people deviate from the economic model of rationality, but that in situations of Knightian uncertainty, where the future is unknown and unpredictable, the model of rationality cannot even be treated as a *normative* model of how people *should* act. Since it is impossible for individuals to assign probabilities to the possible courses of action, they cannot rationally choose the best means to achieve given ends. According to Beckert the situation of uncertainty creates a “vantage point” for economic sociology, which is able to contribute to the study of the economy by looking at how *intentionally* rational actors – that is actors who are trying to make the best decisions possible – act in situations where rationality is impossible and what role different “social devices” play in shaping their behaviour. These “social devices” include: institutions, social networks, culture, habits, routines, social norms, conventions, social structures, and power relations. At the same time, by linking the problem of uncertainty to the Hobbesian problem of social order, Beckert was able to link this agenda to classical sociological theory.<sup>2</sup>

Since then his work has been aimed at integrating the different approaches that have developed within economic sociology over the years. This includes the cultural works of Viviana Zelizer, the structural approach of Harrison White and Mark Granovetter, and the institutional perspective of Paul DiMaggio and Neil Fligstein (see Fourcade 2007). This has led to the publication of the second, more recent, statement that is the “The Social Order of Markets” (Beckert 2009). As Beckert points out in this article, even though markets are central institutions in modern societies, very little attention has been given to them in sociological

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<sup>2</sup> In his dissertation Beckert discussed at length how the problem of social order was developed in the works of Durkheim, Parsons, Luhmann and Giddens.

scholarship. Moreover, contrary to common belief, neoclassical economics too has not adequately theorized markets (Hodgson 2008). Modern economics does not provide a theory of markets; it *assumes* their existence instead of *studying* how and why they function. Economists never ask the simple question: what makes markets possible? Ever since Adam Smith, markets have been assumed to be the result of the natural propensity of individuals to “truck, barter and exchange one thing for another”. But as economic sociologists have been able to show, this is not the case. Markets are social phenomena (Aspers 2011; Bourdieu 2005; Callon 2008; Fligstein 1996; Fourcade and Healy 2007; Swedberg 1994; White 1981).

In “The Social Order of Markets” Beckert argued that markets should be studied as social fields. These fields can only function if three “coordination problems” are solved. These he called the problems of valuation, competition, and cooperation. The value problem refers to the constitution of the value of commodities in a market. In order for a market to function, actors have to be able to attach value and distinguish between different qualities of goods. For neoclassical economists, value is something that is reflected in price and is the result of individuals with given and stable preferences exchanging goods in the market. According to Beckert, value is something that can and should be studied as a social fact (Beckert 2011a; Beckert 2011b; Beckert and Aspers 2011; Beckert and Musselin 2013; Rössel and Beckert 2012). The second problem is the one of competition: markets are political arenas where actors are engaged in a power struggle over the rules of the game such as regulations and entry barriers (Bourdieu 2005; Fligstein 1996). The third problem is the one of cooperation between supply side and demand side. As Durkheim pointed out there is always a non-contractual element in a contract; actors engaged in an exchange have to be confident that the other party will not exploit them. This interaction is problematic, especially in situations of asymmetrical information: when one party has to make an advance payment; or when the quality of the product is uncertain. The problem of cooperation opens up economic sociology to the central problem of trust in the economy (Beckert 2006).

Having argued that the social world is characterized by fundamental uncertainty, in his most recent work Beckert has turned toward theorizing the notion of expectations. At the micro level, Beckert moves away from the idea that actors have rational expectations, as assumed by neoclassical economics, towards the idea of expectations as social fictions (Beckert 2013b, 2016). At the macro level, this has led him to rethink the notion of capitalism, which he has conceptualized as a system of contingent expectations (Beckert 2013b). His focus on capitalism as a specific social system should be seen as a way to bridge the divide between economic sociology and political economy, an idea that has been central to the research program developed jointly with Wolfgang Streeck at

the Max Planck Institute for the Study of Societies (Beckert and Streeck 2008). In line with political economy's recent turn away from looking at varieties of capitalism and towards the study of commonalities of capitalism (Deutschmann 2011; Sewell 2008; Streeck 2011, 2012); Beckert has focused on what he sees as the specific micro-foundations of the capitalist system. He has argued that the focus of economic sociology on actor perspectives is able to provide a solid micro-foundation for political economy, which has lost sight of the concrete mechanisms driving the dynamism of capitalism.

His thesis is that capitalism, "looked at from the perspective of social interaction, can be analysed as a system of contingent expectations" (Beckert 2013a). Beckert provides a theoretization of what he calls the four C's of capitalism – credit, commodification, creativity and competition – looking to the systemic and fragile character of the modern economy. On the one hand, capitalism's instable dynamics arise from the double contingency involved in actors' interpretations of situations. On the other, capitalism's strength emerges from its extraordinary capacity to create, stabilize, and readjust expectations. As a consequence, economic governance lies to an important extent in the political management of fictional expectations, a particularly difficult task aiming at shaping the images of the future structure.

These ideas have been developed in his recently published book *Imagined Futures: Fictional Expectations and Capitalist Dynamics* (Beckert 2016). In this book Beckert argues that economic sociology and political economy have until now focused on how economic outcomes are shaped by the past. But, according to him, economic outcomes are shaped not only by the past but also by the future, or to be more precise, by how economic actors imagine the future will be. Throughout the book Beckert uses the notion of fictional expectations to investigate broad range of core topics of economic sociology and political economy: money, credit, consumption, investment, innovation, financial markets, and performativity.