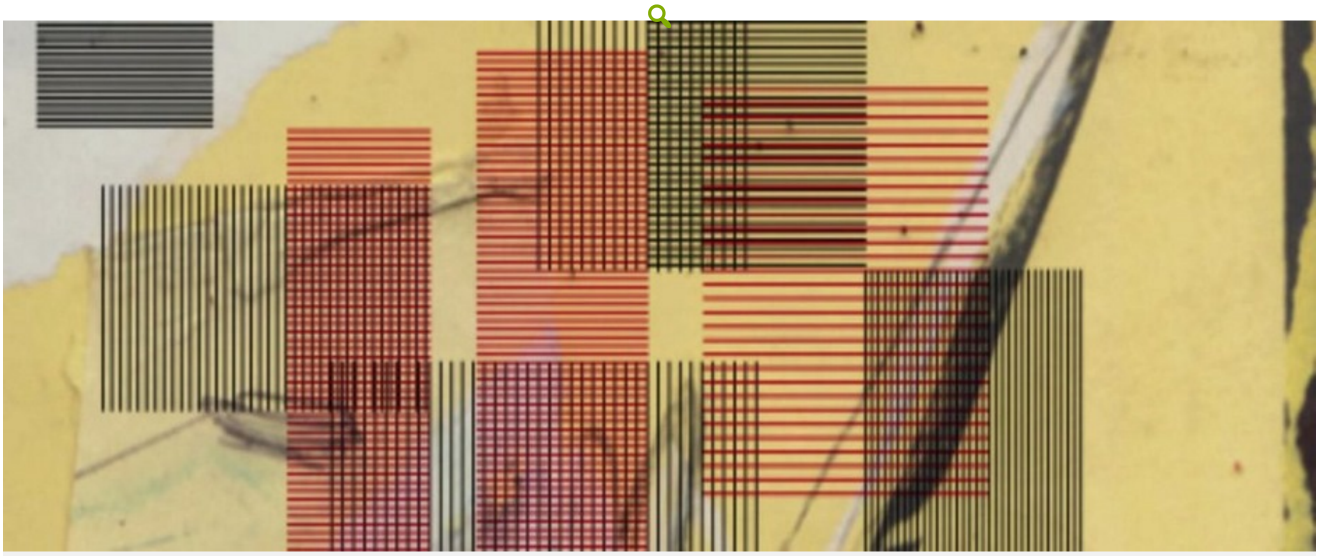
UNCERTAIN FUTURES AND THE POLITICS OF UNCERTAINTY



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September 3rd, 2019 Richard Bronk Leave a comment

Since writing *The Romantic Economist – Imagination in Economics* (2009) I have been fascinated by the link between the human capacity to imagine new futures and the prevalence of uncertainty. Imagination is both the ultimate cause of much of the uncertainty we face and our best tool for coping with it.

This month sees the publication of the paperback edition of *Uncertain Futures: Imaginaries, Narratives, and Calculation in the Economy* – a volume I co-edited with Jens Beckert – which explores in empirical settings how economic actors deal with the radical uncertainty at the heart of modern capitalism. Both books are unashamedly interdisciplinary in their attempt to grasp how market participants (such as entrepreneurs and policy makers) combine imaginaries and narratives with calculation to structure expectations and behaviour in conditions of uncertainty.

Imagine then my joy at being invited to participate in the beautifully organized and inspiringly curated STEPS Centre symposium on *The Politics of Uncertainty* involving scholars and practitioners from a number of academic disciplines, NGOs, and government departments. Many presentations and discussions combined cutting edge research with references to great masters of uncertainty studies in the past – Ulrich Beck, Zygmunt Bauman, Mary Douglas, and George Shackle. The three intense days of discussion left me fizzing with ideas about new angles to explore that would build on the theoretical and empirical framework set out in *Uncertain Futures* – in particular fleshing out the *political* implications of the economic issues we cover.

Uncertain Futures considers how economic actors visualize the future and coordinate their actions in conditions of uncertainty. We start from the premise that dynamic capitalist economies are characterized by relentless innovation and novelty and hence exhibit an indeterminacy that cannot be reduced to measurable risk. Contrary to the assumptions of standard rational expectations theory, no-one in these conditions is able to calculate the optimal course of action or internalise the correct model of the economy.

To put it simply, when the world is uncertain, you cannot know what the best model *will* be, and the past may not be a good guide to the future. The organizing question for our volume is then: how do you form expectations and decide how to act *despite* this uncertainty?

Our headline answer is that, in conditions of uncertainty, economic actors combine calculation with imaginaries and narratives to form 'fictional' expectations that coordinate action and provide the confidence to act. Indeed, we argue that the market impact of shared calculation devices, social narratives, and contingent imaginaries underlines the need for a new form of 'narrative economics' and a theory of fictional (rather than rational) expectations.

This approach takes seriously the *social construction* and *contingency* of expectations and therefore market prices; and it recognises that, where expectations cannot be anchored in objective probability functions, the imaginaries and narratives guiding behaviour are partly a function of market or political power.

The case studies in *Uncertain Futures* demonstrate how grand narratives, central bank forward guidance, economic forecasts, business plans, visions of the technological future, and new era stories shape expectations and economic behaviour. There is something inherently *political* about economies built on such imaginaries, narratives, and calculative devices. As Jens and I write: 'Since expectations are not anchored in some pre-existing future reality, but rather have an important role in creating the future, they are the legitimate object of political challenge, debate, and choice. … As in the case of Brexit, political power rests with those able to make their narratives, imaginaries, and expectations count.'

The symposium was a reminder of the contested definitions of 'uncertainty' and 'risk' and the need to distinguish theoretical definitions from those embedded in practice. For Jens and me, 'uncertainty' denotes more than a felt experience of ambiguity or information problems: it refers to the *indeterminacy* that exists in complex economic systems characterised by continual novelty and second-order creative and contingent reactions to that novelty. We contrast this indeterminacy with the objective probability functions targeted in 'risk' calculations made on the assumption that the future is a statistical shadow of the past – a questionable assumption in innovative economies.

In practice, though, the word 'risk' is used to cover everything from threats, dangers, and uncertain opportunities for profit to the mathematical output of Value at Risk (VaR) or finance models. This can cause considerable confusion: Beck's famous *Risk Society*, for example, refers essentially to uncertainties – to what he calls '*decision-produced incalculabilities and threats*' that are spreading.

The incalculability and indeterminacy of the future are generated *within* the global capitalist system: they are the product not only of policy reform (such as deregulation) but also of the dynamics of capitalist system itself (Schumpeter's 'creative destruction'). Crucially, this 'whirlpool of change' (Beck) in our 'liquid times' (Bauman) leads to widespread anxiety, disorientation, and anger. In part, as Beck and Bauman note, this is because of the increasing separation of effective socio-economic power from democratic political control. But, above all, it's because of the unequal distribution of the costs and benefits of uncertainty-producing innovation.

Uncertainty is the flipside of our freedom to choose among newly imagined options and transcend the shackles of the past. But the benefits of this freedom to innovate may accrue largely to an elite, while the costs of associated rapid social dislocation fall most heavily on those with few educational or financial resources.

Two final thoughts:

- First, as Mary Douglas pointed out, societies always seek to *blame* someone for misfortunes, especially if they're otherwise inexplicable; and, in a complex world of contingent imaginaries and interdependent decisions, it's often impossible to assign blame scientifically to particular individuals. This leaves populists free to assign blame to aliens or elites – to anyone not qualifying as part of the 'real' people.
- Secondly, since uncertain futures (and the fear and dislocation that attend them) are the inevitable consequence of innovation, even policy innovations designed to assuage anxiety and limit the costs of capitalist dynamics for the disadvantaged may lead to unforeseen and indeterminate consequences. However much we seek to limit the impact of uncertainty – or pretend it does not exist – it is an unavoidable feature of what Bauman called 'liquid modernity'.

ABOUT THE AUTHOR

Richard Bronk is a Visiting Senior Fellow at the European Institute of the London School of Economics and Political Science (LSE) and is co-editor with Jens Beckert of Uncertain Futures: Imaginaries, Narratives, and Calculation in the Economy, published in paperback this month by Oxford University Press.

This article is one of a series of blog posts reflecting on the STEPS symposium The Politics of Uncertainty: Practical Challenges for Transformative Action.

Uncertainties can make it hard to plan ahead. But recognising them can help to reveal new questions and choices. What kinds of uncertainty are there, why do they matter for sustainability, and what ideas, approaches and methods can help us to respond to them?

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