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Rational Expectations and the social ordering of the future : a semiotic analysis of its infrastructure

Abstract

« Rational Expectations » (RE) have become an ubiquitous instrument and target of economic and financial governance. While up until the 1990s and again since the global financial crisis of 2007-09 the status of RE both as a scientific concept was hotly contested, it has become a taken-for-granted technical object at the center of a novel market-based governmentality of finance and the economy. Despite this centrality of RE, existing attempts to understand and theorize it sociologically have made little headway between the conceptual dichotomy of (dis-)embeddedness that has dominated the (new) economic sociology for several decades now. Building on ideas borrowed from STS, economic sociologists have suggested that RE should be understood as a process of embedding economic expectation formation in socio-technical infrastructures, giving rise to a novel mode of governing by shaping expectations of the (uncertain) future.

However, economic sociology has made little, if any progress in understanding just *how* the mediation and formalization of expectation-formation by socio-technical infrastructures alters the nature of social ordering and thus the possibilities for governing through these infrastructures. Somewhat simplistically, socio-technical infrastructures are considered to equip some actors with « infrastructural power » that bestows control over outcomes. However, what is obscured is not only the *translation* that governing itself undergoes when passing through an infrastructure – but also the different modalities of expectation formation in socio-technical networks.

In this paper, I want to sketch the basics of a *semiotic* account of social ordering that can better capture how financial expectations are co-oriented through socio-technical networks. I draw on insights from the semiotics of Peirce, Umberto Eco as well as STS to show how ‚semantic‘ interdependencies between distinct actors‘ expectations can be analysed. I use the widely discussed case of derivative finance to show how a semiotic analysis of how formalizations abstract (using the Black-Scholes-Model as illustration) can help us understand the « syntactic » nature of formalized Rational Expectations.

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