The Future of Futures. The Time of Money in Financing and Society
by Elena Esposito (2011) published by Edward Elgar Publishing, Cheltenham, UK. Price £69.95

The financial crisis of 2008 has proved to be almost as disastrous for the scientific discipline of economics as it has been for the state of the global economy. In contrast to global economics, however, economics as an academic discipline appears to be recovering with remarkably well from the body blow to its theoretical base and forecasting models. At least, that seemed to be the case before the publication earlier this year of Elena Esposito’s superb book, The Future of Futures. In this book Esposito succeeds in convincing us that the at the root of the continuing economic crisis is not maverick bankers or lax regulation, but something far more insidious and irreversible - the relatively recent transformation of the basis of financial markets from money to risk, that is to current assessments of future events. In the process she describes how the only way that the models applied by banks and financial houses as well and the experts who advise them and the academic economists who observe them, are able to continue in the business of making predictions is by consistently and fundamentally misunderstanding, misinterpreting and misrepresenting the nature of the economic system and, in particular the notion of time which this system operates. She then goes on to demonstrate how this failure has undermined the credibility of these models and their predictions.

Given recent rather half-hearted (and half-baked) attempts to make sociological theory relevant to the operation of the financial markets, Esposito’s book should be greeted as a breath of fresh air, marking perhaps the first major break-through in the sociology of economics since Max Weber’s and Georg Simmel’s accounts of the role of money in society. The theory that she applies throughout most of this book is Niklas Luhmann’s distinctive brand of systems theory and in particular his ideas on how each social system create their own version of the world and operates as if this constituted reality.

What Luhmann forces us to face is the unpalatable fact that the world as we see it is always a simplification and that it is this simplified version itself that allows us to believe that we are able to view reality directly and to plan for a future based on this vision of reality. For most of the book Esposito sticks close to Luhmann and it is only right at the end, at the point when she proposes a political solution to steering the economy that, in an unexpected burst of optimism, she finally manages tear herself away to cross the finishing line ahead of this uncompromisingly pessimistic (some would say ‘nihilistic’) social theorist. As we shall see, this brave attempt to ‘go it alone’ and, in doing so, give the world hope, is a mistake. Fortunately, however, it is not fatal to the rest of the book which remains a hugely impressive critique of much of contemporary economics.
the fit or misfit between her ideas for political regulation of the financial markets and Luhmann’s own concerns about politics as a social system and its ability to control or steer other systems.]

**Derivatives**

For a start, Esposito dismisses the conventional wisdom of so many political and media commentators on the economic crisis who blamed greedy bankers and/or the spendthrift policies of politicians view derivatives (and other ‘futures’) as the evil that brought the global economy to its knees and almost succeeded in destroying it entirely. For Esposito, derivatives are the financial way of expressing uncertainties over ‘the present future’ (how the future appears in the present) and, as such, they represent as much a financial opportunity as they do a threat. Moreover, in her view, we should be impressed rather than appalled by the ingenuity of the financial world in creating a whole range of investments, such as options, swaps and futures, those derivatives which allow punters to take a bet on the future (carrying the possibility of considerable rewards) without incurring a large outlay of funds in the present.

The development of derivatives is for her an intriguing subject of analysis and, in particular in the way that the huge problem of how to value them appeared to be overcome by the Black-Scholes formula, introduced at the beginning of the 1970s. Yet, it was only some years after the invention of this formula that this ‘model of the financial markets started to ‘correspond to the reality of finance. What happened was that the intervening years between its invention and the financial crisis of 2008 ‘saw reality adapted to the theory‘ (p.97). There followed a general acceptance of the formula and its widespread use throughout the financial world, despite some economists’ continuing concerns over the assumptions on which the model was based and it was not really until this world was in crisis that its failings became all too apparent.

In order to understand what triggered both the crisis and disillusionment with the model, we need to understand that markets in derivatives, are no more and no less than markets of risks’ (p.135). Failure to appreciate this makes movements in price appear both mysterious, incomprehensible and driven by irrationality, simply because they cannot be related to or directly accounted for by the actual traffic of goods and services. What ‘is sold when selling the movements of money is risk’ and nothing else. (p.135) . In order to legitimate such markets and those who manage them and to encourage potential investors, the price of risk has to be given the aura of objectivity. Otherwise such concepts as ‘hedging’ would fail to make sense, as the price would depend purely upon ‘the idiosyncratic estimates of each individual’ (p.136). There could be no criteria by which anyone could estimate the likely return on their investment. This is why the introduction of the Black-Scholes formula in 1973 represented a watershed in modern finance. From that moment it was possible to fix a price on the basis of what one knows about the asset at stake, that is, not only its present and past values, ‘but also its volatility, its variability [over] time, and its tendency to react to circumstances’ (p. 137) However, the big problem with the formula, as Esposito points out, s that it is based on the assumption that ‘future risk, although unpredictable, behaves similarly to past risk ... that, while ‘we may not know what will happen, we know in which dimension it will happen ... [T]he future present remains open’ (p.137). It is the fallacy of the assumption that future risks are identifiable in the present that and the reliance placed on this assumption that lies at the root of the collapse of the derivatives markets in 2008. This is both the starting point and the conclusion of Esposito’s analysis. What happens in the middle is her fascinating account of the
way that Niklas Luhmann’s social theory, along with data and theoretical input from other writers, go a long way towards equipping academic analysts of financial markets with the conceptual tools necessary for making sense of what has been going on in the financial markets without having to rely entirely on the loaded and self-interested explanations of practitioners, both economists and politicians.

**Luhmann’s Systems Theory**

Those readers who are entirely unfamiliar with Luhmann’s theory need to know that he starts from the premise that modern society consists of distinct, self-referring systems of communication (e.g. law, politics, economy, science etc.) each with its unique function and code which allows it, through its communications, to distinguish itself from its environment. The crucial distinction for the theory is that between system and environment. Each system in effect constructs its own environment and its own identity within that environment. The environment for each system includes all other social systems, but always as observed and understood by the first system. The function of the economic system is the reduction of scarcity and its code is payment/non-payment. Economics will observe and internalize political and legal communications, for example, by reconstructing them in ways that have meaning for economics. Legislation designed to reduce carbon emissions would be seen by the economic system, therefore, in terms of its effects on the financial markets, reducing profits perhaps for some businesses and increasing them for others. The unique and non-transferable function of social systems - politics on its own cannot create wealth or law make people healthy – together with the indirect (not input/output) relationship between social systems, prevents any direct control by one system over another. Politics cannot not control the economy, nor vice versa, although both politics and economics are mutually dependent upon each other for their own operations. Political communications are transformed by the economic system into money issues just as financial data, such as unemployment figures are reconstructed within the political system to signify the success/failure of government policies.

**Time**

Time is an essential dimension for Luhmann’s social theory and, as such, Esposito uses it as the central theme of this book. (It is worth mentioning here that Esposito’s references on Luhmann’s theory of time take readers to German editions of Luhmann’s works. This is likely to cause problems for readers unable to read German. However, Luhmann did publish in his lifetime two pieces in English which explain his ideas on time and his seminal book, *Social Systems*, also has an important section on this theme. This review article will refer to these.) For Luhmann time is ‘the interpretation of reality with regard to the difference between past and future’. It is always the present and what occurs now both reconstructs the past and affects the future. However, this

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1 For an introduction to Luhmann’s Theory see Moeller (2006) King (2009) and Borch (2011)
3 Pp.74-92.
always takes place against a background of time passing. In this manner, ‘two kinds of present always exist simultaneously and it is only the difference between them that creates the impression of the flow of time’. ‘One occurs in a regular manner, indicating through, for example, the hands of a clock, sounds, movements, the crashing of waves that something is always changing irreversibly.’

The second kind of present, that associated with chronology – ‘the standardized scheme of movement and of time’ – takes place in the system’s environment, that is in the environment specific to law, politics, science, economy etc. It is the operations of each system which designates and defines past present and future for the system. This is what Luhmann refers to as ‘time-binding’ (Zeitbindungen).

Time is constructed and experienced by each system in a way that allows the system to give meaning or significance to its own operations (decisions, valuations, judgments, acceptance/rejection), all of which take place in the present. ‘The present is experienced as [t]he space of time between the present and the future, in which an event becomes irreversible’. Each system conceptualizes this in a different way. For the law, it could the moment that a verdict is reached, for science the publication of the results of an experiment; for education it could be the announcement of students’ grades; for politics it could be the result of a vote in the legislature, while for the economic system it could be a decision to buy or sell, or a valuation of, property or assets.

As Esposito explains, ‘[s]ystems theory explains the genesis of time on the basis of the enormous advantages it offers’ (p.21). Time allows the system to distinguish itself through its own operations linking its present situation with other (past and future) situations ‘in a complex framework of connections where uniformities influences and corrections can be found’ (ibid). Within each system time exists, not as an independent entity, ‘but only as an actual project of a system that uses references to the past and the future in order to structure its present operations’ (ibid).

For the system, time is constructed around the present. Both the past and the future are necessarily seen from the perspective of the present. The past cannot be changed, but it can be interpreted in different ways. ‘Each present changes the image of a past that is seen as immutable’ (p.23). It is this immutable image of the past that provides the orientation towards the future, the position from which one has to start in order to design the future. Paradoxically, this ‘immutable image’ changes with each new present. In other words, the past is continually being reassessed in the light of what now appears as present knowledge and this ‘present past’ provides the basis for decisions about the future. As Esposito puts it, ‘[t]ime actually renews itself in each present, in so far as what is happening always adds something new to the past, thereby changing its meaning, and modifying what we had originally expected the future to be, in that things that no one could have previously imagined before are made possible.’ (p.23).

This is, of course, a very different, and much more complex and nuanced, account of the passing of time to the simple version used by those who maintain that the future is an unknown entity and go no further than that. It is also very different from the equally simplistic, opposing view, that that the future will be much the same as the past and one should orient one’s decisions

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5 Social Systems p.78 (Translation modified).
accordingly. Yet it is equally different from more scientific claims that an accurate analysis of past events will provide clear indications of what is likely to happen in the future. Although decisions based on such claims may turn out to be correct, there is absolutely no guarantee that this will happen, as the analysis underpinning them is still premised upon the existence of an unchanging past. Luhmann (and Esposito), by contrast, see this seemingly unchanging nature of the past as a construction of the system itself and maintain that, to an observer of the system, the past changes with each new present. In this way predictions, whether scientific or otherwise, are built on the shaky foundation of a past that is always being reinterpreted, yet always appearing as definitive for the purposes of decision-making. As Esposito states, it is ‘the position from which one has to start in order to design the future, which [in Luhmann’s scheme] is seen, contrarily, as open and modifiable’

What of the future? Firstly, the ‘present future’ (the current belief in what the future will hold) is always different from the ‘future present’ (the future that materialises when it actually becomes the present) (pp.23-4). Of course, Luhmann’s observation that ‘The only thing we know about the future is that it will be different from the past’\(^7\) still remains true, but using his systems approach, we now can see how it is possible (and indeed necessary) for systems to hold onto the illusion that, while much remains unclear, future risks are nevertheless amenable to description and quantification in the present. Decisions made in the present will, as we have seen, always be able to draw upon the present version of the past which makes it appear that, to some extent at least, a logic exists that allows one to make an intelligent assessment of what the future will hold. An additional difficulty for anticipating the future is that decisions taken in the present effect the future by limiting the possibilities available in that future. The fact that I decide to buy oil shares today, is likely not only to limit my financial capacity to make a similar, but better investment in the future (perhaps after the price has gone down). It will also, if only marginally, affects the future price of the shares that I have bought. The same is true of the investment decisions of thousands of others buy and sell the same shares at that time. These decisions reduce the degrees of freedom for future decisions without in any way determining what that future will be. The important point is that one cannot know the effects of these decisions until the future has become the present; one can be sure that present decisions will limit the scope of future decisions in some way but one cannot say how. Here another Luhmannian concept comes into play, that of Observation.

Luhmann uses ‘observation’ as a technical term, related to his adaption of the British logician, George Spencer-Brown’s *Laws of Form*\(^8\). For Luhmann ‘Observing can be defined as an operation using a distinction for indicating one side of the distinction and not the other’\(^9\). The existence of a system depends upon its ability to distinguish itself from its environment. For this act of distinction to be observed requires another system. In other words only a different system can observe an observer observing its environment, that is making a distinction between itself and its environment. It was Heinz von Förster who first described the observations of others observing

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as second-order observations, but Luhmann then combined this concept with the need for any observer to draw a distinction between the positive (the standpoint of the observer) and the negative (the side that is rejected by the observer). The other notion which Luhmann adapts from Von Förster is that of the observer’s blind spot. The observer is able to operate only on the positive side of the distinction. So a government’s claim that their policy is morally right may be observing its environment in terms of the distinction moral/immoral, but its concerns (and its communications) are only with the moral rectitude of its own policy. A second-order observer who observes the government turning its policy into a moral issue is able to communicate the view that this policy is immoral – a fact to which the government (as soon as it made the distinction) became blind.

Applied to financial markets, an analyst may observe, for example, a strike at a copper mine. This first-order observer observes (or interprets) this event as likely to create a shortage in copper and so raise the price in the commodities market, which in turn could well increase profits and share prices of copper mining companies. In recognizing the strike as ‘an economic event’ the observer applies the distinction relevant to the market value/irrelevant to the market value and comes down on the side of relevance, the marked or positive side of the distinction. Another observer applying the same distinction may, of course, draw the opposite conclusion - for example, that the strike is likely to spread to other mining companies and so risk a major reduction in the profits of mining companies, which in turn is likely to lower the price of their shares. Second-order observers, in this case brokers, or financial advisers observing these observations and the observer who observes them, will then ‘take a view’ on whether either or both of these analyst is likely to be accurate in their predictions, using perhaps the distinction reliable/unreliable or a similar distinction which allows them to differentiate between what for their purposes should form part of the advice that they pass on to investors. Again, the distinction allows the observer to operate within the positive side of the distinction – ‘reliable’ in this example – and to treat this as ‘reality’ while ignoring the negative side ‘unreliable’. In this way highly complex situations are made managed and simplified in a way that makes investment decisions possible within the financial markets.

Where in all of this does the truth lie or, put another way, how do we know what is real? The first point to be made is that both Luhmann and Esposito recognize the futility of seeking an answer to questions which refer to an absolute or definitive reality. What appears as reality depends upon the orientation of the observer and in functionally-differentiated modern society observer orientations are provided by society’s function systems. In this way science sees the external world differently to law and art uses different a very different perspective to politics or economy in its communications about ‘reality’. For Luhmann reality or knowledge is only possible through the drawing of a distinction and it is this continual drawing of distinctions that allows for many versions of reality to exist side by side with no fool-proof way of determining which one is right. At the same time the drawing of distinctions also means that complexity is reduced to a form which allows different systems to operate simultaneously in different, self-referring ways – all of which attempt to make sense of the system’s environment and operate within the world of meaning that the system has constructed.

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Esposito in her book tends, however, to play down the notion of distinction-drawing as an essential element for the creation of self-referring systems. Instead, she uses second-order observation in a looser way of explaining how realities in the financial markets are built on a network of observers continually observing one another. ‘The reality of the modern economy’ she tells us ‘is the reality of second-order observation’. (p.104) Even where traders believe that they are relying on ‘fundamentals’ such as the movement of raw materials, they are not making decisions based on an independent reality, but on observations of what others observe. ‘One observes the observation of the outside world.’ (ibid). This does not, she insists, mean that all statements by observers are equivalent, but the test of their comparative value cannot be in any way objective. This is why investors place so much emphasis on the track-records of managers and advisers. Someone who appears to have predicted correctly in the past is assumed to have the capacity of make similarly accurate predictions in the present.

Luhmann’s theory, on the other hand, takes matters beyond this ‘common-sense’ level of analysis. For Luhmann, once an observer had made the distinction reliable/unreliable, the very possibility that an analyst might be unreliable becomes a blind spot for the observer— the negative or unmarked side of the form – the side that is lost from sight as soon as a distinction is drawn and the positive side of the distinction becomes what the observer recognizes as reality. There is nothing to prevent the observer from reassessing past observations and making new decisions, such as the appointment of a new financial adviser, in the light of such recent events as losses caused by failure to predict market movements. Nevertheless the need for observers to draw a distinction, albeit a different distinction, remains unavoidable, as does the construction of a different reality based on the drawing of this new distinction and, equally, the creation of a different blind spot – the unmarked side of this new form.

Esposito, in her description of modern economy as ‘the reality of second-order observations’ with only a passing reference to Luhmann’s notion of distinction-drawing, brings her theoretical account of the operation of the financial markets much closer to those of previous commentators, such as George Soros’ notion of reflexivity. Although this image of in a universe of mutual observations, involving a network of analysts, managers, advisers, dealers and investors all helping to create a vision of the world that passes as reality may be strike a chord with many readers, it is not particularly original. What would perhaps have been more interesting and innovative is a more detailed description of the actual distinctions that are drawn in order to bring into being a world where investment decisions are seen as more risky or less risky and risk is somehow given an aura of objectivity. To be fair, she does go on to consider the pseudo-objectification of risk in some detail, but rather at the level of economic history rather than social theory.

**Risk**

Of course, risk ‘has always been traded in the [financial] markets (P.107). ‘What is new, according to Esposito, ‘is the development of markets that only deal with risk, which have learned to standardize risk enough to be able to exchange it and give it a price’ (ibid. emphasis added). Without going into a detailed description of the different types of derivative, their common feature is that they are liberated from any external referent. ‘One buys and sells only a promise

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and it is on this that the whole traffic of transactions is focused. Dealing in the majority of derivatives involves nothing other than ‘the mutual observation of observers and their expectations’ (p.110). Any investment in the financial market is not an investment in assets, but only in the upward and downward movement of assets in the market. Derivatives add on a further level of abstraction to trading in commodities, shares and bonds. ‘What circulates in the derivative markets is information (not about goods) but about the expectations and intentions of other operators.’ This, as we mentioned earlier, was only made possible since the 1970’s, firstly, by President Nixon signing the Bretton Woods agreement abolishing any link between the dollar and the price of gold and so lifting any remaining constraints on the movement of assets being related to an external value (the price of precious metal) and freeing the markets to steer and control themselves. (p.116). The second facilitating factor, that we also flagged up earlier, was, the invention of the Black-Scholes formula which enabled risk to be given an apparently objective price. The combination of these events allowed the creation of derivatives totally new entities.

For Esposito, as we have seen, the invention of derivatives was not in itself a bad thing, as they allowed markets to manage uncertainty and unpredictability and to reformulate future expectations in form that made them marketable as investments. Their abstract or ‘imaginary’ character is not per se a problem as long as what is being traded remains clear and reliable - what has been described by one commentator as ‘the material production of virtuality’. As Esposito points out, this reality is located at the level of the observation of observers. One does not observe the prevailing opinion, but what the prevailing opinion considers to be the prevailing opinion’. For her, the problem with the astronomical rise in derivatives from the 1970s to the present day lies not, as some commentators appear to believe in the fact that they somehow ‘lost touch with reality’ but rather that they opened the way to speculative opportunities in a financial market which had become ‘much more volatile and unpredictable, and subject to “contagion” phenomena ... (ibid). This enabled some to make huge profits very rapidly. However, it also made it possible for others to generate huge losses equally rapidly, as the conduct of notorious ‘rogue traders’ made evident. According to Esposito, ‘[r]isk then increases, not only because traders expose themselves to losses that can quickly become gigantic, but also because the uncertainty and unpredictability of markets for all other operators increase …’ Where no ‘fundamentals’ are visible to operators or observers of operators, it is much easier to justify ‘taking a view’ based on the observation of other observers and to fail to recognize that present futures are not the same as future futures and that their own actions in the present themselves change what form those future futures will eventually take. The rest, as they say, is history.

Convincing as Esposito’s historical account may be of the events that laid the foundations for the 2008 crisis and enlightened as it is by her application of Luhmannian concepts, there is

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nevertheless a clear tension between what Esposito attempts in this book and Luhmann’s theoretical and methodological approach to modern society. The trouble is that Luhmann is an extremely annoying theorist. He is particularly annoying to anyone, like Esposito, who sees their task, as one of explaining social events with a view to drawing lessons from past and present failures with a view to making things go better in the future – what could be described in general terms as planning and regulating. This, of course, includes not just practising politicians, economists and lawyers, but also the vast majority of academic commentators across a wide range of disciplines. Luhmann’s accounts of the complexities of time and of second order observation, which Esposito so meticulously describes in her book, and his insistence on reality-construction through the drawing of distinctions, which I have sketched in this review, apply not just to ‘operators’ in the financial, political, scientific, mass media or legal systems; they also apply to academic commentators. We are all engaged in this process of drawing distinctions, interpreting the past, and basing our expectations of the future on what we see as reality in the present. Once Esposito moves away from abstract theoretical concepts to explaining just how the financial markets reached their present volatile state, we as observers of Esposito are able to see how she has selected from and interpreted the past in order to make sense of the present. This is inevitable, but it collides head-on with a theory which sees everything that happens in the world as contingent, that is neither necessary nor impossible. ‘Something is, but could also not be, or may be otherwise’ (fn p.120). As she herself writes, ‘[t]he past could have come about otherwise.’ (p.26) ‘The past, then, serves primarily as a means of selection. Everything could be possible, but only some possibilities come about, and these condition the possibilities that are made available for the future. The future is, therefore, both determined and indeterminate at the same time.’ (p.26).

From the start, she sees her task as, firstly, identifying the conditions that have brought about the present situation in the financial markets and, in the final section of the book laying out on the basis of ‘possibilities that have come about’ the conditions for (possible) regulation of these markets. The rational (and justification) for this in terms of Luhmann’s theory is, she tells us, his proposal of ‘a concept of control as steering (Steuerung). Such intervention is not goal orientated, she tells us. It is not ‘fixed to a particular future state (the recovery of the markets), but is meant to learn from the dynamics that it sets in motion … , changing some of the conditions and waiting to see what will happen’ (194-5). Later, in the last chapter of the book, she writes: ‘The state does not build the future of the economy, but provides the conditions for it to build one for itself – that is ‘it steers’ the economy’s evolution without pretending to control it’. (199)

First of all, is this what Luhmann is really proposing? Well, yes and no. The Luhmann essay dealing specifically with this issue is ‘Grenzen der Steuerung’ (Limits of Steering) which is a chapter in his book Die Wirtschaft der Gesellschaft (Society’s Economy) and was translated and published in English in 1997 as an article in Theory, Culture and Society15. Unlike Esposito, Luhmann’s emphasis is on the ‘limits’ rather than the ‘steering’ and as such he provides a far less

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optimistic account of what governments are able or likely to achieve. She is right that Luhmann maintains that ‘the mechanism that was proposed by old cybernetic steering theories ... a relatively direct causality which made it possible’ to create causal links between input and output, as when ‘the heating starts and it becomes warmer’ is no longer available in a systems theory approach. As he puts it, '[I]nstead everything happens in the black box of the system – black box seen from the outside, but also from the inside. But this in itself does not mean that any steering of the economy is impossible, but rather that it needs to take a form which abdicates any direct control and which takes account of the very different distinctions in the observations of different systems. ‘Politics can ... only create conditions that influence the programmes and, in this way, the self steering of the economy.’ The way that this can be done, according to Luhmann, is through what he calls ‘difference-minimization programmes’. He gives the example of firms driven into liquidation through the imposition of a government’s environmental controls. These statistics will be minimized in any evaluation of the government programme where the success or failure of its policy judged by measures of environmental pollution. If subsequently the havoc caused by a major increase in companies going into liquidation becomes a political issue, the government may start a bankruptcy prevention programme to try and save firms faced with the cost of compliance with environmental controls. But, as Luhmann points out, ‘these are political programmes and it remains to be seen what deformation of economical programmes they will cause in their turn’. If companies know that government subsidies are available if they claim hardship, this may, for example, increase the number threatening voluntary liquidation. Recent UK Government policy in regard to banks may be seen as raising similar steering difficulties. The ring-fencing the high street business of the major banks as a political programme designed to avoid another massive government bail-out as occurred in 2008-9 will be judged by its effectiveness in forcing the separation of the investment business of banks from their banking services to customers. The effects on UK banks’ profits, their ability to attract investment money and their competitive position in the international market are accordingly minimized until such time as these items become political concerns.

What is very clear from Luhmann’s analysis is that political time is not the same as economic time. The holding of elections, the passage of bills through the legislature, the maximum length of time that a government may hold office before seeking a further mandate from the people – all may affect what decisions are taken on economic issues and the timing of those decisions. To take a simple example, the obligation on US governments to hold congressional elections every two years, combined with the reliance of the two major political parties on financial support from large corporations goes some way to explaining why it is so difficult for governments in the United States to impose higher taxes on the wealthy, which in turn, may account in part for the country’s massive national debt. It is not surprising that the only occasions in modern times when national governments have proved able to act decisively and effectively on economic matters have been where immediate concerted action appeared necessary to avoid a total meltdown in the financial markets with major disruption to people’s lives. In Luhmann’s terms, for a brief moment political time and economic time coincided. At those times, as Teubner points out, ‘nation states were faced with a constitutional decision: to abolish the autonomy of the economy via totalitarian politics of either a socialist or fascist inclination, or to inaugurate ... limitative

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16 Ibid p.50
17 Ibid p. 53
constitutionalisation of the national economies’. Yet, as the United States recovered from the Great Depression the economic constitutionalism of the New Deal soon disappeared from sight and economics and politics soon reverted back to their own self-referential agendas and management of time. The international coordinated rescue of the banks in 2008 may also have been such a moment and, if judging by recent events in the economic system, it has not taken long for that system to re-assert its own logic and dynamic, in spite of all the party-political rhetoric of controls and regulation. Unfortunately, the only way that Esposito at the end of her book is able propose that the state is able ‘to provide the conditions for it to build [a future for the economy] steering ‘the economy’s evolution without pretending to control it’ is by ignoring almost entirely the way that the political system operates and, in particular, the way that it manages time. Ironically perhaps it is just this notion of ‘the state’ as the vehicle for problem solving that has in recent weeks.

States turned into economic entities which become through their national debts the objects of market attention and speculation.

The past can no longer be changed, and the future depends on what we do today. We therefore have freedom and constraints: we can build up our future (successfully or not, the future remains uncertain), and we can

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18 Ibid p.33
reflect on and evaluate what we have done in the past. (19)

The schema of a given past that influences an indefinite future remains even if the form of this determination changes in the transition from one present to another. Time carries with it a ‘contingency scheme’, a configuration of possibilities that condition each other but leave alternatives open. The past could have come about otherwise. (26)

(what changes is

the image of what cannot be changed, the position from which one has to start in order to design the future, which is seen, contrarily, as open and modifiable)

As Esposito tells us, What is, is always present. What matters, then, is to understand how time is constructed in every moment, to understand how we project a past and a future that ‘are not there’, are not actual, and are formed in a present that disappears in the very moment of its realization. The enigma of time is, first of all, a result of its intertwining of actuality and inactuality. Time exists only as an actual projection of spaces of inactuality (a past that is no longer, and a future that has not yet come).

‘The past can no longer be changed, and the future depends on what we do today. We therefore have freedom and constraints: we can build up our future (successfully or not, the future remains uncertain), and we can reflect on and evaluate what we have done in the past.’ (p.19)

Instead of considering the indeterminacy and incompleteness of information as problems, we can try to valorize these as resources, opportunities for change, innovation and surprise. A similar change of attitude could be made towards time, whose significance in the economy increasingly appears to be enigmatic and elusive, circular and recursive, to the point that one has the impression of no longer knowing what it is. (19)
Sociology and economics

Financial crisis

Failure of economist’s models to predict – embarrassment and recriminations

Investors and Advisors – business as usual

Time and Observation

Political control of the economy

The situation confronts politics with a presentation problem. Politics has insufficient universal knowledge; above all no knowledge of the future. It must therefore make risk decisions. However, in the politicized conflict between decision makers and affected parties it cannot very well present its decisions for what they are - risky.. Luhmann ‘Risk’ p.155

The only thing we know about the future is that it will be different from the past. Luhmann ‘Observations on Modernity’ p.21