

I confess that I prefer true but imperfect knowledge...to a pretence of exact knowledge that is likely to be false.

-Friedrich A. Hayek, Nobel Lecture

UNCERTAINTY AND ECONOMICS

AGENDA

Part I: Uncertainty in Economic Thought

Brief historical overview on Uncertainty in Economic literature and theory.

Part II: The Uncertainty Corridor

A modern view on the source and scope of uncertainty and its implications for economic theory and policy.

Part III: Political Implications

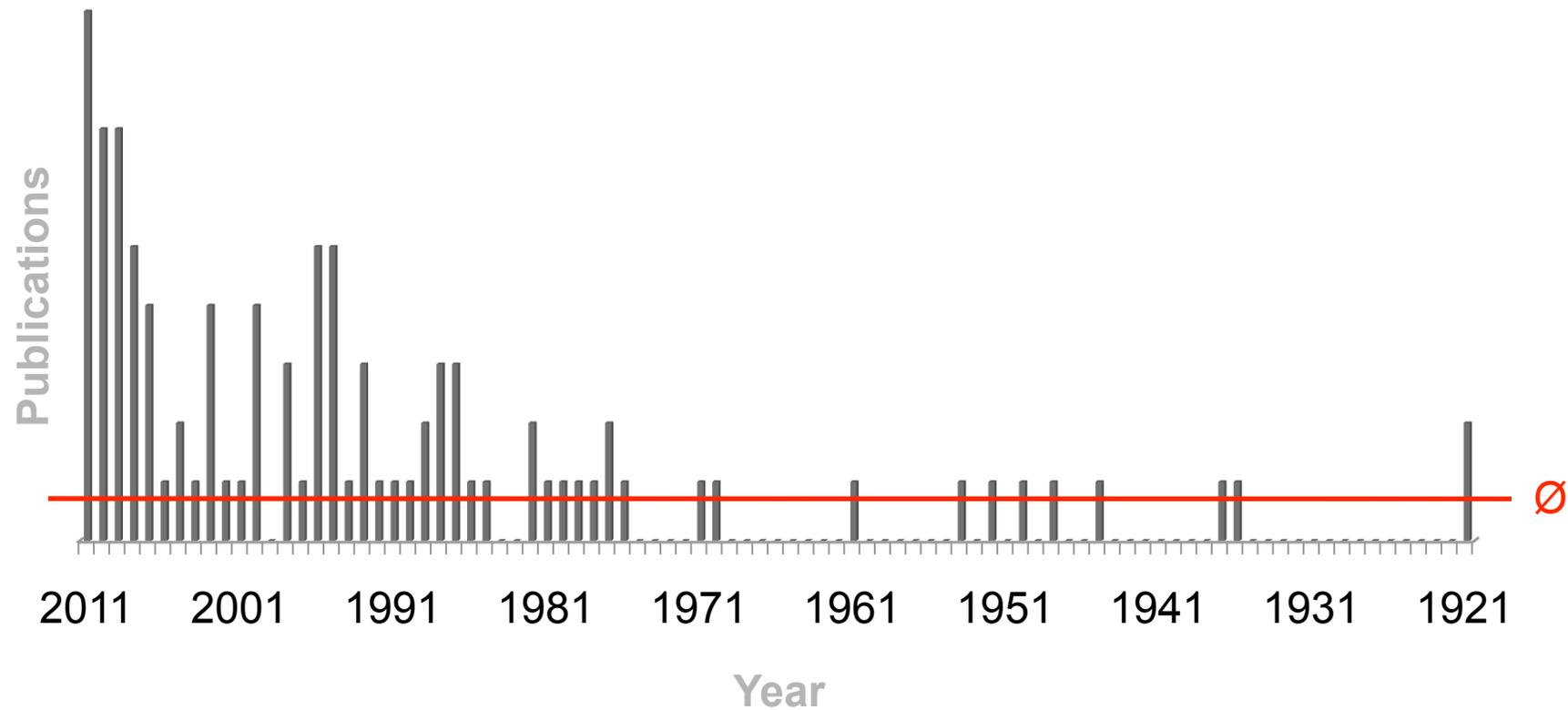
What does the modern view on uncertainty imply for economic policy advice?

PART I: UNCERTAINTY IN ECONOMIC THOUGHT

PUBLICATIONS ON UNCERTAINTY IN ECONOMICS



Less than one piece of economic literature, published within one year has tackled the problem of uncertainty in economics, during the last 90 years.

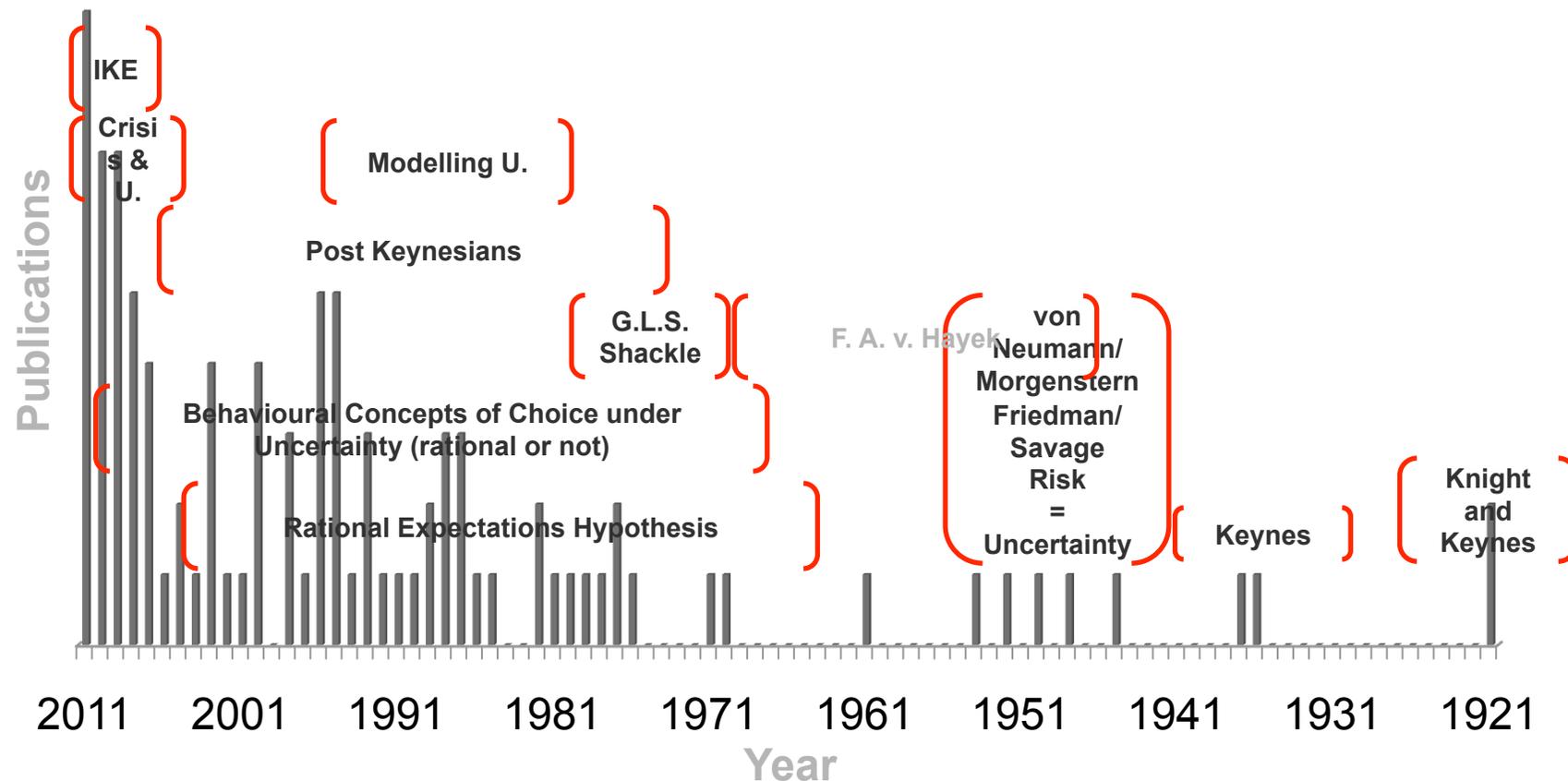


* The statistic is based on my literature database, which includes about 100 publications, which refer to the problem of uncertainty in economics.

THE EMERGENCE OF UNCERTAINTY IN ECONOMICS



Uncertainty is for the post part discussed as a challenge to rational and mathematical models of individual behaviour or choice and to prediction.



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THE BEGINNING

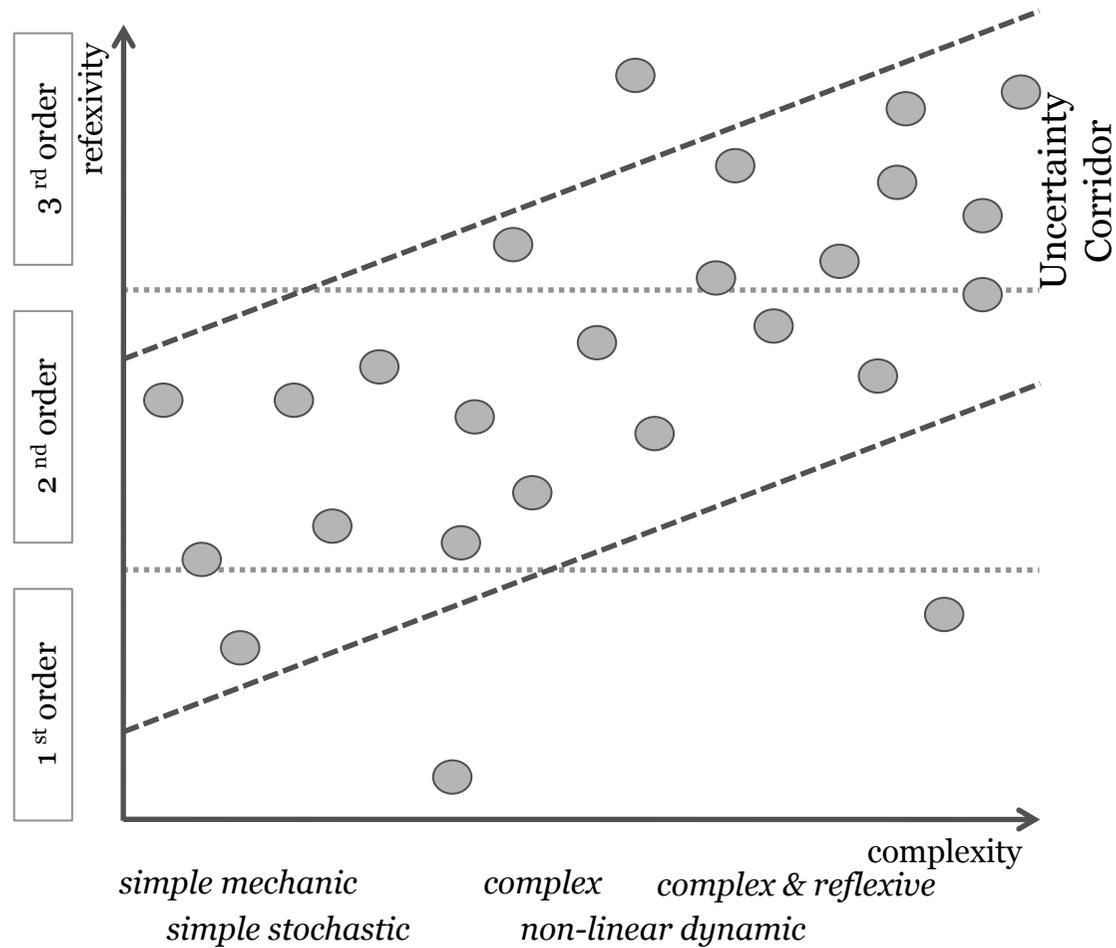
“To preserve the distinction ... between the measurable uncertainty and an unmeasurable one we may use the term “risk” to designate the former and the term “uncertainty” for the latter.”
(Knight 1921: 233)

“The problem of profit *is* in fact this very problem of the divergence of actual business conditions from the theoretical assumptions of perfect competition.”
(Knight 1921:19)

PART II: THE UNCERTAINTY CORRIDOR

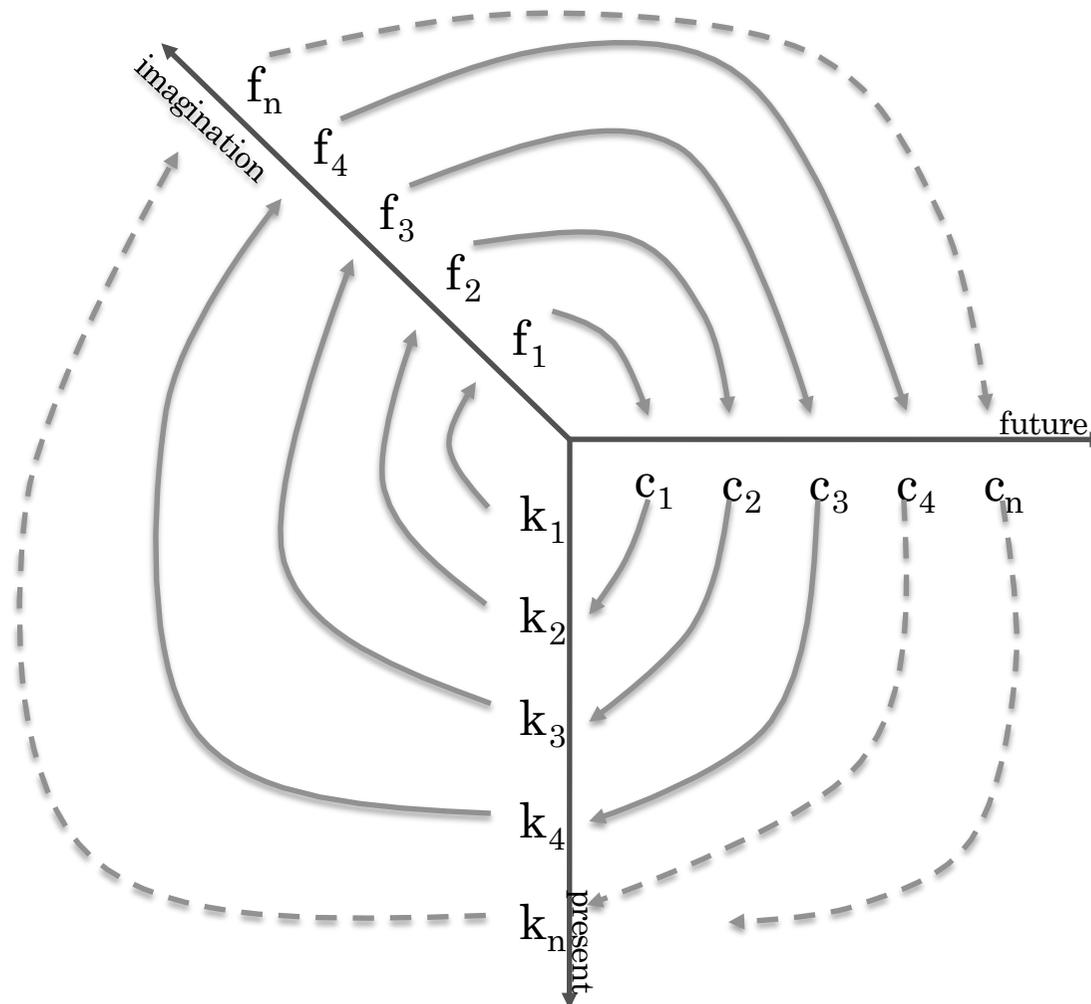
THE UNCERTAINTY CORRIDOR

Uncertainty is the result of complexity and performativity.



FICTIONAL CHOICE

In an uncertain reality plausibility and coherence are all we can aim for. This causes theories to be local and temporal in nature.



The worlds created through fiction are based not on an empirically observable truth but on the author's imaginings. This does not imply that there is no correspondence to reality. On the contrary, the assertions made in fictional texts achieve their credibility often because they could very well be true or because they are closely interwoven with elements that are indeed nonfictional.”
(Beckert, 2011: 5)

“In its excessive quest for generality, utility-maximising rational choice theory fails to focus on the historically and geographically specific features of socio-economic systems. As long as such theory is confined to ahistorical generalities, then it will remain highly limited in dealing with the real world. Instead we have to consider the real social and psychological determinants of human behaviour.” (Hodgson 2012: 94)

PART III: POLITICAL IMPLICATIONS

SCHLUSSFOLGERUNGEN

Wir müssen die Ökonomik nutzen und ihr helfen sich weiter zu entwickeln.

Schlussfolgerung 1: Wir dürfen unseren Theorien und Modellen der Wirtschaft niemals vertrauen. Sie sind Werkzeuge, um der Wahrheit näher zu kommen, selbst aber immer unwahr.

Schlussfolgerung 2: Unsicherheit ist gefährlich und fruchtbar. Nur in einem möglichst freien und regelhaften Wettbewerb können die Chancen und Risiken der Unsicherheit in Wachstum und Fortschritt gewandelt werden.

Schlussfolgerung 3: Ökonomen müssen dazu angehalten werden über Unsicherheit und die Grenzen ihrer Theorien und Modelle zu sprechen, damit die Gesellschaft sich auf sichere und gleichzeitig unvorhersehbare wirtschaftliche

THANK YOU FOR YOUR ATTENTION

*Ein Weiser betrachtet sich selbst
als ein Atom, als ein kleinstes
Teilchen eines unermesslichen
und unendlichen Systems.*

A. Smith 1759