

**Topics:**  
**Economics of Time and Ignorance**

G31.3001.002

Spring, 1997

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Most of the following readings will be discussed explicitly during the semester. The course is *not* a series of lectures on my book. Instead, it is an analysis of those fundamental ideas that gave rise to the book. These ideas are extremely fertile ground for the development of new insights in the areas of uncertainty, disequilibrium, coordination of beliefs, the passage of time, the role of knowledge, among others.

You will be given a packet of readings. It is also suggested that you purchase (at a deep discount):

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, *The Economics of Time and Ignorance* (London: Routledge, 1996).

The treatment of the following topics will be logically rigorous but not mathematical. The focus will be on the fundamental concepts that are prior to any useful model. Many of the concepts developed here will be suggested as alternative to those prevailing in contemporary neoclassical theory.

You will be graded on the basis of a term paper or final exam. (The choice is yours!)

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**(I) Equilibrium and Disequilibrium: Historical Perspective**

Nicholas Kaldor, "A Classificatory Note on the Determinateness of Equilibrium," *Review of Economic Studies*, vol. 1(1934), pp. 122-36.

Paul N. Rosenstein-Rodan, "The Role of Time in Economic Theory," *Economica*, vol. 1, N.S. (1934), pp. 88-97 (Section III)

**(II) Equilibrium and Disequilibrium: General Issues**

Fritz Machlup, "Equilibrium and Disequilibrium: Misplaced Concreteness and Disguised Politics," *Essays in Economic Semantics* (New York: Norton, 1967), pp. 43-55.

Franklin M. Fisher, "Disequilibrium Analysis and the Theory of Value," Chap. 1 of *Disequilibrium Foundations of Equilibrium Economics* (Cambridge: Cambridge University Press, 1983).

Alessandro Vercelli, "Equilibrium, Disequilibrium and Economic Theory," Chap. 2 of *Methodological Foundations of Macroeconomics: Keynes and Lucas* (Cambridge: Cambridge University Press, 1991).

**(III) Equilibrium of Beliefs and Market Processes**

F.A. Hayek, "Economics and Knowledge," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948).

Esteban F. Thomsen, "A Theory of the Market Process," Chap. 2 of *Prices and Knowledge* (London: Routledge, 1992).

Esteban F. Thomsen, "Equilibrium Prices and Information," Chap. 3, *Ibid.*

Mario J. Rizzo, "Hayek's Four Tendencies Toward Equilibrium," *Cultural Dynamics*, vol. II (1990), pp. 12-31. Special Issue on Hayek.

Frank H. Hahn, "On the Notion of Equilibrium in Economics," Chap. 2 of *Equilibrium and Macroeconomics* (Cambridge, MA: MIT Press, 1984).

**(IV) Time: General Issues**

Milic Capek, "The Concept of Time," Chap. 3 of *The Philosophical Impact of Contemporary Physics* (New York: Van Nostrand, 1961).

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, "The Dynamic Conception of Time," Chap. 4 of *The Economics of Time and Ignorance* (London: Routledge, 1996).

**(V) Implications of Real Time**

Mario J. Rizzo, "Time and Ignorance: After Ten Years," in *The Economics of Time and Ignorance*, pp. xiii-xxxiii.

Mario J. Rizzo, "Real Time and Relative Indeterminacy in Economic Theory," 1996 Manuscript.

**(VI) Keynesian and Shackelian Kaleidics**

Athol Fitzgibbons, *Keynes's Vision* (Oxford: Clarendon Press, 1988), Chap. 2 ("Probability"), Chap. 5 ("The Meaning of Uncertainty"), Chap. 7 ("The Economics of Transitoriness").

Alan Coddington, "Keynesian Economics: The Search for First Principles," *Journal of Economic Literature*, vol. 14 (1976), pp. 1258-73.

Alan Coddington, "Creaking Semaphore and Beyond: A Consideration of Shackle's Epistemics and Economics," *British Journal for the Philosophy of Science*, vol. 26 (1975).

Martin Currie and Ian Steedman, *Wrestling With Time* (Ann Arbor: University of Michigan Press, 1990), Chap. 8 ("Shackle").

#### **(VII) Uncertainty and Profit: Knight and Beyond**

Frank H. Knight, *Risk, Uncertainty and Profit* (Chicago: Univ. of Chicago Press, 1971[1921]), Chap. VII ("The Meaning of Risk and Uncertainty"), Chap. VIII ("Structure and Methods for Meeting Uncertainty"), and Chap. IX ("Enterprise and Profit").

John McKinney, "Frank H. Knight on Uncertainty and Rational Action," *Southern Economic Journal* (v. 43), 1977: 1438-1452.

D.M. Lambertson, *The Theory of Profit* (Oxford: Basil Blackwell, 1965), Chap. III, ("The Inevitable Connection Between Profits and Uncertainty"), pp. 46-62.

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, "Uncertainty in Equilibrium," Chap. 5, *The Economics of Time and Ignorance* (London: Routledge, 1996).

#### **(VIII) The Economics of Knowledge: A Little on Alfred Marshall**

M.W. Taylor, "The Spencerian Theory of Evolution," Chap. 2, sec. II of *Men versus the State* (Oxford: Clarendon Press, 1992).

Brian J. Loasby, "Knowledge and Organization: Marshall's Theory of Economic Progress and Coordination," Chap. 4 of *The Mind and Method of the Economist* (1989).

#### **(IX) The Economics of Knowledge: G.B. Richardson**

G.B. Richardson, *Information and Investment* (Oxford: Clarendon Press, 1990), Chap. 1 ("Tendency toward Equilibrium"), Chap. 2 ("Availability of Market Information"), Chap. 3 ("The Coordination of Competitive Investments"), Chap. 4 ("The Coordination of Complementary Investments").

Brian J. Loasby, "The Working of a Competitive Economy: G.B. Richardson's post-Marshallian Analysis," Chap. 6 of *The Mind and Method of the Economist*

(1989).

(X) **Coordination and Order**

Brian J. Loasby, *Equilibrium and Evolution* (Manchester: Manchester University Press, 1991).