

NEW YORK UNIVERSITY
Department of Economics

Time, Uncertainty and Market Process

G31.3002.03
M.J. Rizzo

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This course is designed as an advanced treatment of the foundations of the economic analysis of time and uncertainty. The course is not about models per se, but about the way economists conceptualize or ought to conceptualize the facts of time and uncertainty.

This is a bibliography not a reading list. Only a few readings from each section will be required.

The course is organized as a seminar. Either a term paper or a final exam, at the student's option, will form the basis of the final grade.

I. Introduction: Subjectivism Extended

F.A. Hayek, The Counter Revolution of Science (New York: Free Press, 1955), Chapters III, IV.

Ludwig M. Lachmann, "From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society," Journal of Economic Literature, XIV, 54-62 (March, 1976).

James M. Buchanan, "The Domain of Subjective Economics: Between Predictive Science and Moral Philosophy," in I.M. Kirzner (ed.), Method, Process and Austrian Economics: Essays in Honor of Ludwig von Mises, (Lexington: D.C. Heath and Company, 1982).

Alan Coddington, "Deficient Foresight: A Troublesome Theme in Keynesian Economics," American Economic Review, 72, 480-487 (June, 1982).

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance (Oxford: Basil Blackwell, 1985), Chapter 1 ("An Overview of Subjectivist Economics").

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance (Basil Blackwell, 1985), Chapter 2, ("Static versus Dynamic Subjectivism").

Ludwig M. Lachmann, "Comment on Chapter Two", unpublished paper (NYU, 1984).

II. Time

1. Newtonian versus Real Time

Milic Capek, The Philosophical Impact of Contemporary Physics (Princeton, New Jersey: D. Van Nostrand and Company, 1961), Chapters III, VIII.

J.J.C. Smart, "Spatialising Time," in Richard M. Gale (ed.), The Philosophy of Time (New Jersey: Humanities Press, 1978).

Milic Capek, Bergson and Modern Physics (Bordrecht, Holland: D. Reidel Publishing Company, 1971), Part I, Chapters 1,2,3,4,5,6.

2. Problems in the Treatment of Time in Economics

William C. Hood, "Some Aspects of the Treatment of Time in Economic Theory," Canadian Journal of Economics and Political Science, 14, 453-468 (1948).

John R. Hicks, "Some Questions of Time in Economics," in Money, Interest and Wages (Cambridge: Harvard University Press, 1982).

Randall Bausor, "Time and the Structure of Economics Analysis," Journal of Post Keynesian Economics, 5, 163-179 (1982-83).

Daniel R. Fusfeld, "Analytic Time and Historical Time in Economic Theory," unpublished paper (U. of Michigan, 1984).

3. Dynamic Conceptions of Time

Ludwig von Mises, Human Action, 3rd ed. (Chicago: Henry Regnery & Company, 1966), Chapters V, XVIII.

G.L.S. Shackle, Time in Economics (Amsterdam: North-Holland Publishing Co., 1958), Chapter I.

Ludwig M. Lachmann, "Professor Shackle and the Economic Significance of Time," Metroeconomica, XI, fasc. 1-11 (Aprile - Agosto, 1959), 64-73.

G.L.S. Shackle, Decision, Order and Time in Human Affairs, 2nd edition (Cambridge: Cambridge University Press, 1969), Chapters I, II, III, IV, V, VI.

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance (Basil Blackwell, 1985), Chapter 4. ("The Dynamic Conception of Time")

W. Stark, "Stable Equilibrium Re-Examined," Kyklos (1950, vol. IV).

Valeria Termini, "Logical, Mechanical and Historical Time in Economics," Economic Notes, 10, 58-102 (1981).

III. Uncertainty

1. The Characterization of Uncertainty

James M. Buchanan and Alberto di Pierro, "Cognition, Choice and Entrepreneurship," Southern Economic Journal, 46, 693-701 (January, 1980).

John Maynard Keynes, General Theory of Employment, Interest and Money (New York: Harcourt, Brace and World, Inc., 1964), Chapter 12.

Frank H. Knight, Risk, Uncertainty and Profit (Chicago: University of Chicago Press, 1971 (1921)), Chapters VII, VIII.

Ludwig von Mises, Human Action: A Treatise on Economics, 3rd edition, (Chicago: Henry Regnery & Company, 1966), Chapter VI.

Oskar Morgenstern, "Perfect Foresight and Economic Equilibrium," in Andrew Schotter (ed.), Selected Writings of Oskar Morgenstern (New York: NYU Press, 1976).

Brian J. Loasby, Choice, Complexity and Ignorance (Cambridge: Cambridge University Press, 1976), Chapters 1,2.

2. Uncertainty and Probability

John Maynard Keynes, A Treatise on Probability (London: Macmillan and Company, 1963 [1921]), Chapters 1,2,3.

J.L. Cochrane, "Keynesian Probability and the General Theory," in John Cunningham Wood (ed.), John Maynard Keynes: Critical Assessments, vol. II (London: Croom Helm, 1983).

Albert Gailord Hart, "Risk, Uncertainty and the Unprofitability of Compounding Probabilities," American Economic Association, Readings in the Theory of Income Distribution (Homewood, IL: Richard D. Irwin, Inc., 1951).

G.L.S. Shackle, Decision, Order and Time in Human Affairs, 2nd edition (Cambridge: Cambridge University Press, 1969), Chapters VII, VIII, IX, X, XI, XII, XIII.

Wesley C. Salmon, The Foundations of Statistical Inference (Pittsburgh, PA: University of Pittsburgh Press, 1967), pp. 79-82.

Richard N. Langlois, "Subjective Probability and Subjective Economics," unpublished paper (New York University, 1982).

3. Expectations

Ludwig M. Lachmann, "The Role of Expectations in Economics as a Social Science," in Capital, Expectations and the Market Process, Kansas City: Sheed, Andrews and McMeel, 1977).

Ludwig von Mises, "'Elastic Expectations' and the Austrian Theory of the Trade Cycle," Economica (August, 1943), 251-252.

Alfred Schutz, "Tiresias' or Our Knowledge of Future Events," Collected Papers of Alfred Schutz, vol. II (The Hague: Martinus Nijhoff, 1966).

Alfred Schutz and Thomas Luckmann, The Structures of the Life-World (Evanston, Illinois: Northwestern University Press, 1973), p. 229-241.

F.A. Hayek, "Degrees of Explanation," in Studies in Philosophy, Politics and Economics (Chicago: University of Chicago Press, 1967).

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance (Oxford: Basil Blackwell, 1985), Chapter 5, sections I and II ("Uncertainty in Disequilibrium").

Brian J. Loasby, Choice, Complexity and Ignorance (Cambridge: Cambridge University Press, 1976), Chapter 9.

Kenneth J. Arrow, "Risk Perception in Psychology and Economics," Economic Inquiry, XX, 1-9, (January, 1982)

Amos Tversky and Daniel Kahneman, "Judgement Under Uncertainty: Heuristics and Biases," Science, 185, 1124-1131 (1974).

4. Rational Expectations

Steven M. Sheffrin, Rational Expectations (Cambridge: Cambridge University Press, 1983), Chapter 1 ("The Concept of Rational Expectations").

Gerald P. O'Driscoll, Jr., "Rational Expectations, Politics and Stagflation," in Mario J. Rizzo, (ed.), Time, Uncertainty and Disequilibrium, (Lexington, MA: D.C. Heath, 1979).

Mario J. Rizzo, "Disequilibrium and All That," Ibid., pp. 10-13.

James M. Buchanan, "Prolegomena to a Critique of the Rational Expectations Hypothesis," unpublished paper (George Mason University, 1978).

Randall Bausor, "Rational Expectations and the Epistemics of Time," Cambridge Journal of Economics, 7, 1-10 (1983).

Gerald P. O'Driscoll, Jr., Roman Frydman, and Andrew Schotter, "Rational Expectations of Government Policy: An Application of Newcomb's Problem," Southern Economic Journal, (October, 1982).

Roman Frydman, "Towards an Understanding of Market Processes: Individual Expectations, Learning, and Convergence to Rational Expectations Equilibrium," American Economic Review, 72, 652-668 (September, 1982).

Christopher Torr, "Rational Expectations and the Relevant Economic Theory," unpublished paper (University of Natal, South Africa, 1982).

IV. Equilibrium and Disequilibrium

1. The Notion of Equilibrium

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

Murray Milgate, "On the Origin of the Notion of 'Intertemporal Equilibrium,'" Economica, (February, 1979).

Frank H. Hahn, On the Notion of Equilibrium in Economics, Inaugural Lecture (Cambridge: Cambridge University Press, 1973).

Brian J. Loasby, Choice, Complexity, and Ignorance (Cambridge: Cambridge University Press, 1976), Chapter 3.

Mario J. Rizzo, "Disequilibrium and All That," in M. Rizzo (ed.), Time, Uncertainty and Disequilibrium (Lexington, MA: D.C. Heath, 1979), pp. 2-7.

Nicholas Kaldor, "The Irrelevance of Equilibrium Economics," The Economic Journal, 82, 1237-1255 (December, 1972).

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance (Basil Blackwell, 1985), Chapter 5 ("Uncertainty in Disequilibrium").

F.A. Hayek, Law, Legislation and Liberty (Chicago: University of Chicago Press, 1976), vol. 2, Chapter 10 ("The Market Order or Cattallaxy").

Fritz Machlup, "Equilibrium and Disequilibrium: Misplaced Concreteness and Disguised Politics," in Essays in Economic Semantics (New York: W.W. Norton and Company, 1967).

2. Equilibrium and Adjustment

F.A. Hayek, The Pure Theory of Capital (Chicago: University Press, 1941), Chapter II.

Paul N. Rosenstein-Rodan, "The Role of Time in Economic Theory," Economica (February, 1934), Section III, 88-97.

Nicholas Kaldor, "The Determinateness of Equilibrium," Review of Economic Studies (February, 1934).

Donald F. Gordon and Allan Hynes, "On the Theory of Price Dynamics," in Edmund S. Phelps et al, Microeconomic Foundations of Employment and Inflation Theory (New York: W.W. Norton and Company, 1970).

Franklin M. Fisher, "The Stability of General Equilibrium: Results and Problems," in M.J. Artis and A.R. Nobay (eds.), Essays in Economic Analysis (Cambridge: Cambridge University Press, 1976).

E. Roy Weintraub, Microfoundations (Cambridge: Cambridge University Press, 1979), chapters 6,7,8,9 (Emphasize Walrasian and Edgeworthian disequilibrium models).

S.C. Littlechild and G. Owen, "An Austrian Model of the Entrepreneurial Market Process," Journal of Economic Theory, 23, 361-379 (1980).

Ludwig M. Lachmann, "An Austrian Stocktaking: Unsettled Questions and Tentative Answers," in Louis M. Spadaro (ed.), New Directions in Austrian Economics (Kansas City: Sheed, Andrews and McMeel, 1978).

A. Asimakopulos, "Keynesian Economics, Equilibrium and Time," in John Cunningham Wood, John Maynard Keynes: Critical Assessments, vol. IV (London: Croom Helm, 1983).

3. Knowledge in Disequilibrium

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance (Oxford: Basil Blackwell, 1985), Chapter 3 ("Knowledge and Decisions").

Karen I. Vaughn, "Does it Matter that Costs are Subjective?" Southern Economic Journal, 46, 702-715, (1980).

C.S.W. Torr, "The Role of Information in Economic Analysis," South African Journal of Economics, 48, 115-131 (1980).

Alan Coddington, "Creaking Semaphore and Beyond: A Consideration of Shackle's 'Epistemics and Economics,'" British Journal for the Philosophy of Science, 26, 151-163 (1975).

Kenneth J. Arrow, "Limited Knowledge and Economic Analysis," American Economic Review, 64, 1-10 (1974).

Sanford J. Grossman and Joseph E. Stiglitz, "Information and Competitive Price Systems," American Economic Review, 66, 264-253 (1976).

Israel M. Kirzner, "Prices, the Communication of Knowledge, and the Discovery Process," Unpublished manuscript (NYU, 1984).

V. Market Processes

1. Coordination and Discoordination

Karl Bode, "Plan Analysis and Process Analysis," American Economic Review (June 1943), 348-354.

Israel M. Kirzner, "Equilibrium versus Market Process" in Edwin G. Dolan (ed.) The Foundations of Modern Austrian Economics (Kansas City: Sheed and Ward, 1976).

Ludwig M. Lachmann, "On the Central Concept of Austrian Economics: Market Process," Ibid.

Gerald P. O'Driscoll, Jr., "Spontaneous Order and the Coordination of Economic Activities," in Louis M. Spadaro (ed.), New Directions in Austrian Economics (Kansas City: Sheed, Andrews and McMeel, 1978).

2. Competition: From Process to Discovery

F.A. Hayek, "The Meaning of Competition," Individualism and Economic Order (Chicago: University of Chicago Press, 1948).

Israel M. Kirzner, Competition and Entrepreneurship (Chicago: University of Chicago Press, 1973), Chapters 1,3.

G.B. Richardson, Information and Investment (Oxford: Oxford University Press, 1960), Chapters I,II,III. (Can be included under section IV 3 above).

Richard N. Langlois, "Economics as a Process: Notes on the 'New Institutional Economics,'" unpublished paper (New York University, 1982).

F.S.C. Northrop, "The Impossibility of a Theoretical Science of Economic Dynamics," Quarterly Journal of Economics (November, 1941), 1-17.

F.A. Hayek, "Competition as a Discovery Procedure," in New Studies in Philosophy, Politics, Economics and the History of Ideas (Chicago: University of Chicago Press, 1978).

Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, The Economics of Time and Ignorance, (Basil Blackwell, 1985), Chapter 6 ("Competition and Discovery".)