

Anonymous notes that current macroeconomics depend on the notion of rational expectations, which begs many questions, such as those Keynes' raised. Anonymous asks for more on the link between radical uncertainty and macro.

As in the paper, conventional rational expectations and hence current macroeconomics could only correspond to reality if there were no radical uncertainty. An important source of uncertainty is structural shocks. These can be endogenous, as are the critical instabilities discussed in the paper. But, as Keynes later argued, they can also be exogenous. This latter point, although not discussed in the Treatise or my paper, is nevertheless critical to an understanding of the potential for macro.

The first point is that macroeconomics should not be a stand-alone subject, but an application of a broader understanding of macro phenomena, informed by the work of Whitehead, Keynes and Turing, as briefly discussed in my paper. Figure 1 is my attempt at indicating such a macro theory: the approach is not at all specific to economics.

The second point is that the nature of the critical instability and of the potential subsequent behaviours is influenced by non-economic factors, which could even be dominant. For example, the crisis of 2007/8/9 was largely driven by financial factors, which had been considered to be separate from economics. Earlier, the end of the Cold War clearly had huge economic implications, as do actual wars. Thus any long and broad consideration of economics will need to involve experts from outside economics, and these may – at least initially – be more important to economic outcomes than are narrow economic experts. Again, this points to the need for some overarching understandings as the basis for fruitful collaborations.

Current macroeconomics covers situations where economies are relatively stable structurally, and independent of other factors. This leaves a gap for something that is more macro, but this needs to be more than just macroeconomics. I have been blogging on this, and hope to reach some accessible conclusions, beyond figure 1.