On the false precision of mathematical economics [1]

Written by **Damian Merciar** [2] | Thursday 3 January 2013

Halfway through an MSc Economics at a well-respected department, I have found myself learning no new economics, but only struggling unpleasantly with a level of maths that seems relevant only for pure scientists.

The students, for their part, wish only to master the equations in order to pass the qualification and get good jobs. Broader economic ideas are seen as an optional module, rather than the core that they are. Microeconomics seems exclusively to rely on comparative statics (holding one variable constant whilst you assess another, in a state of equilibrium, using differential calculus).

But since we are not rational beings, the irrationality of this seems profound. The recent trend in "Behavioural Economics" is a step in the right direction (intertwining psychology into statistical assessments of activities), but again, one isn't certain if the exercise is just a ruse to further complicate the statistics.

I remain a fan of Schumpeter, and though for a time, he was head of the Econometric Society, he was also concerned to integrate more sociological understanding into his economic theories. The profession would not do too badly by trying to revitalise this (more integrationist) approach, utilising more of the core social scientific developments, and perhaps fewer of the natural science attempts at mapping certainty.

In order to be useful, the computationalists argue, we have to quantify our actions and be able to replicate them - anything else is simply hokum, and lacks both scientific rigour and logic. These, the theorists demand, is the key to everything. Maybe. But with increasing numbers of economists stemming from maths and engineering, what they are bringing with them is not economic understanding. Well-equipped critical thinkers are being discouraged from entering a discipline that is obsessed with the false certainty of mathematical analysis.

In a lifetime of work, study, family interactions and educational exposure, I have known very few people who are logical and rigorous, consistent and replicable. And the financial markets? Again, comes the argument, if we had cracked the phenomena of financial dynamics, software programmes that have automated actions following trends' analysis, we would not have brought august institutions to the ground in hours and there would probably be no business cycle.

And yet after decades of mathematical economics, we haven?t cracked these things. Institutions still fail, cycles persist and the human nature underlying it all remains just as unquantifiable. Perhaps by embracing the lack of clarity, the human ?fuzziness? we can promote the contemplative again and start teaching and learning some real economics.

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