

# Reading 5: Butterfly Economics Chptrs 1 & 2

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This is the last book we shall look at in this very short course. It is by Paul Ormerod, one of the bigwigs of the Post Autistic Economics movement. Here's what the Wikipedia page says for Post-Autistic Economics:

The movement for Post-Autistic Economics (PAE) was born through the work of Sorbonne economist Bernard Guerrien. Started in Spring 2000 by group of disaffected French economics students, Post-Autistic Economics first reached a wider audience in June 2000 after an interview in Le Monde. It was supported by the Cambridge Ph.D. students in 2001 with the publication of "Opening Up Economics: A Proposal By Cambridge Students", later signed by 797 economists.

The term autistic is used in an informal way, signifying "abnormal subjectivity, acceptance of fantasy rather than reality". It has been criticized for using the medical diagnosis, autism, as a derogatory expression.

Butterfly Economics was published in 1999 at least a year before the PAE movement started. In recent years, almost every single Nobel Prize winner in Economics of the last two decades has joined and contributed to PAE's journal, PAECON. There is a major wind of change blowing through Economics – it will be completely different in twenty years from now: the first major change since the 19<sup>th</sup> century.

Chapter 1 explains chaos theory, a subject we touched upon during last week's lecture. Chaotic systems are ones which sometimes behave regularly and sometimes randomly and will switch their behaviours without warning – just like the weather. **Everything** in the Universe is a chaotic system, including you and everything around you: the planets, your car, everything. Ever wondered if there was a scientific & mathematical explanation for moodiness? Well, chaos theory fits that like a glove.

Chapter 2 then goes into the chaotic dynamics of fashion, considering everything from movies and QWERTY keyboards right through to share price volatility like we covered last week. While *Freakonomics*, your first reading, is very much based in linear regression (drawing a straight line between dots) and the old ways of doing Economics, Butterfly Economics takes this much more powerful approach. In chaos mathematics, you can still draw lines between dots, but they have a habit of vanishing and magically reappearing elsewhere in an unpredictable way. There are lots of similarities between *Freakonomics* and Butterfly Economics, but equally they come from radically different worldviews. They are like chalk & cheese: one based in the 20<sup>th</sup> century, the other in the 21<sup>st</sup>.

Once again, because the reading is hard, there is just one question this week:

**Q1: In what way is predicting the future affected by the implications of what is described in this chapter? Is the future completely unpredictable in the short-term, medium-term and/or long-term?**