Laissez Faire Activism

The Complexity Frame for Public Policy

Roland Kupers
1. Policy narrative lock-in
2. History of Economist’s Policy Narrative
3. How the Complexity Policy Narrative Differs from the Current Economic Policy Narrative
4. How taking complexity seriously changes the way policy is done
5. An example of the type of policy initiatives that follow from the Complexity policy narrative.
The only fair is laissez-faire.
Which frame is appropriate, for this problem, at this time?
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(An economist’s) conclusions, whatever be their generality and their truth, do not authorize him in adding a single syllable of advice. That privilege belongs to the writer or statesman who has considered all the causes which may promote or impede the general welfare of those whom he addresses, not to the theorist who has considered only one, though among the most important of those causes. The business of a Political Economist is neither to recommend nor to dissuade, but to state general principles, which it is fatal to neglect, but neither advisable, nor perhaps practicable, to use as the sole, or even the principle, guides in the actual conduct of affairs. (Senior 1836: 2-3)
The Classical Policy Narrative

- No formal general model of the economy
- Science and policy interrelations too complicated
- Policy from broader considerations
- In particular instances, models as tools for solving particular problems.
A Standard Model
Agenda

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Components of complexity science

- dispersed interactions among locally interacting heterogeneous agents,
- no global controller who could exploit opportunities resulting from these dispersed interactions,
- cross-cutting hierarchical organization with tangled interactions,
- continual learning and adaptation of agents,
- novelty and mutations of the system
- out-of-equilibrium dynamics.
The Complexity Policy Framework

• The general model is too complicated to solve so in the complexity policy frame one has no general theory to rely on. The models are not enough.
• Government has coevolved with the economy and cannot be viewed separately from the market.
• Social norms co-evolve
• There is no different fundamentalist and standard policy narrative
• Mathematics and formal models are center stage, but are used a guides.
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Changing frames
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The lost agenda

• Current debate confuses outcome and tool
• Lock-in to economic policy narrative
• Complexity frame for policy
Back-up
Herbert Simon’s Definition of Complex System

• "By complex system I mean one made up of a large number of parts that interact in a non-simple way. In such systems, the whole is more than the sum of its parts, not in an ultimate, metaphysical sense, but in the important pragmatic sense that, given the properties of the parts and the laws of their interaction, it is not a trivial matter to infer properties of the whole" (Simon, 1981, p.4).
Implications of the Complexity Policy Framework for Economist’s Research

• Theory becomes less important; applied work—solving real problems—becomes dominant—then generalize. (Two stories-streetlight and architect)
• Economics of influence, not economics of control—since government and market have coevolved, and are interrelated, there is no outside controller.
• Engineering, not scientific methodology guides.
• Policy focuses on changing institutions rather than just incentives. Incentives are embedded in institutions. One role of policy is to explore institutional space to open up new areas for social entrepreneurs to populate.
• Models and mathematics and models are to be used more in a Marshallian sense than a Samuelsonian sense. Mills dictum Integrate the math and the prose.
• Policy is time and position sensitive. Focus on lock-in and tipping points—there is a right time and a right place for policy.
• Policy is discussed as social policy—goes beyond economics, not economics policy; the two are inseparable.