

Economic Calculation and Bayesian Entrepreneurship

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We will now proceed to entangle the entire area!

The Austrians have played an important role in keeping a set of ideas alive in the face of a sometimes hostile mainstream. Any progress forward, however, need not, indeed should not, be a further continuance of an isolated “Austrian” economics... In fact, it seems indisputable that scientific understanding would be much improved if at some point in the future we could genuinely and intelligently say, along with Milton Friedman, there is no such thing as Austrian economics, only good economics and bad economics. But this time we would mean that good economics was an economics not only of preferences and constraints, but also an economics of time and ignorance. – Vaughn (1994)

Model development is inherently a task of learning under conditions of unstructured uncertainty.

[T]he ultimate success of these endeavors depends strongly on creativity, insight, and skill in the process of model creation. As the model builder entertains new ideas, casting off those that are not deemed promising and developing further those that are, he or she is engaged in a sophisticated process of learning. – Geweke (2010)

Introduction

1. Reconstructing Pirrong's rational Bayesian.
2. Neo-classical misunderstanding of MGRM
3. Economic calculation (Misesian microfoundations)
4. De Finetti's operational subjective probability
5. Bayesian entrepreneurship with Bayesian workflow.
6. MGRM's hedging revisited!

References

- Geweke, John. 2010. *Complete and Incomplete Econometric Models*. Princeton University Press.
- Vaughn, Karen I. 1994. *Austrian Economics in America: The Migration of a Tradition*. Cambridge University Press.