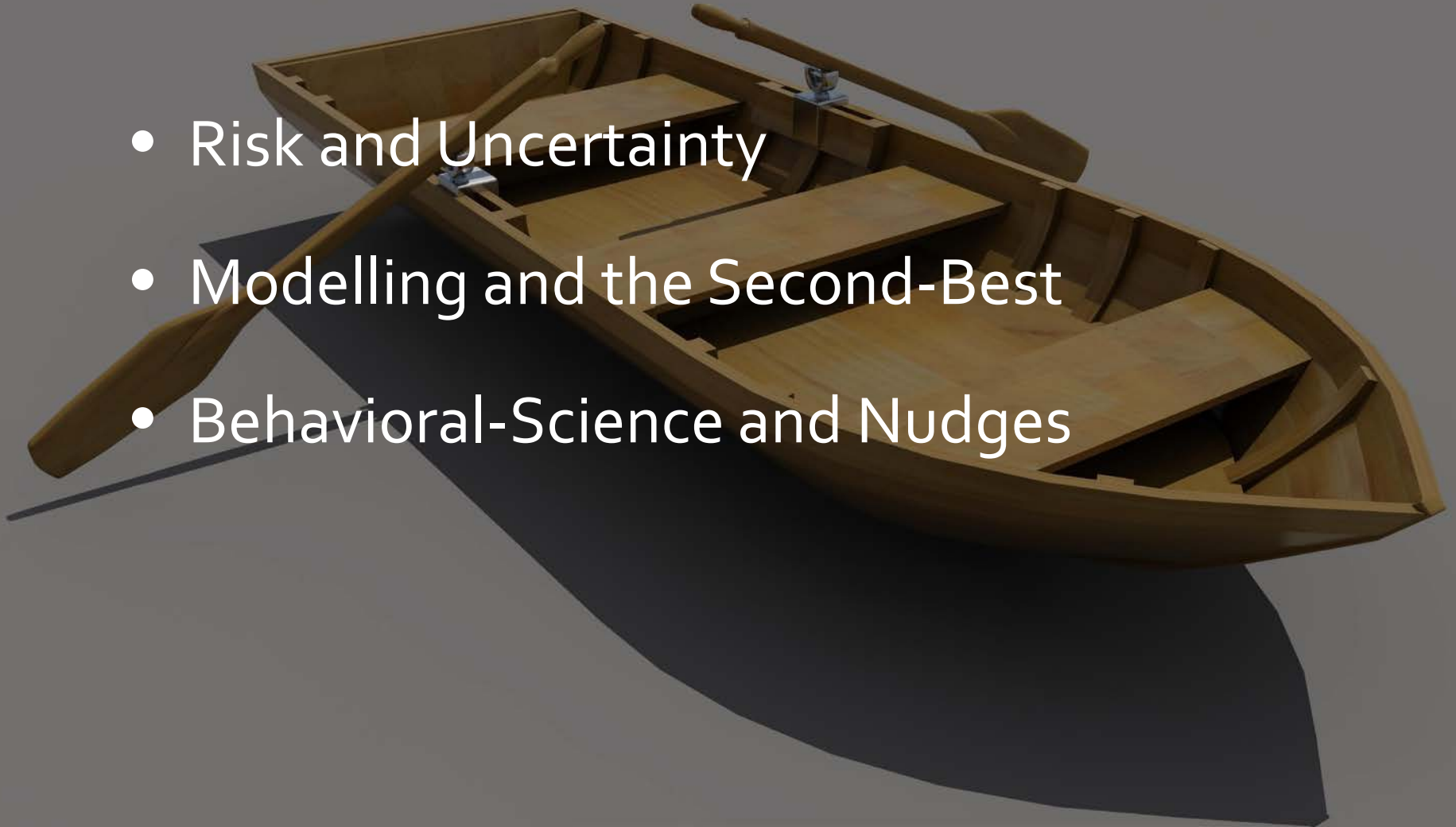


Ilan Noy, Victoria University

what to do
when we don't know
what to do

3 Topics in a

- Risk and Uncertainty
- Modelling and the Second-Best
- Behavioral-Science and Nudges



A Chronicle of an Earthquake Foretold?



The Night in Lisbon

Candide - The best of all possible worlds (Groves/Chenoweth/Allen/Blumenk...  



«» MIX (50+)

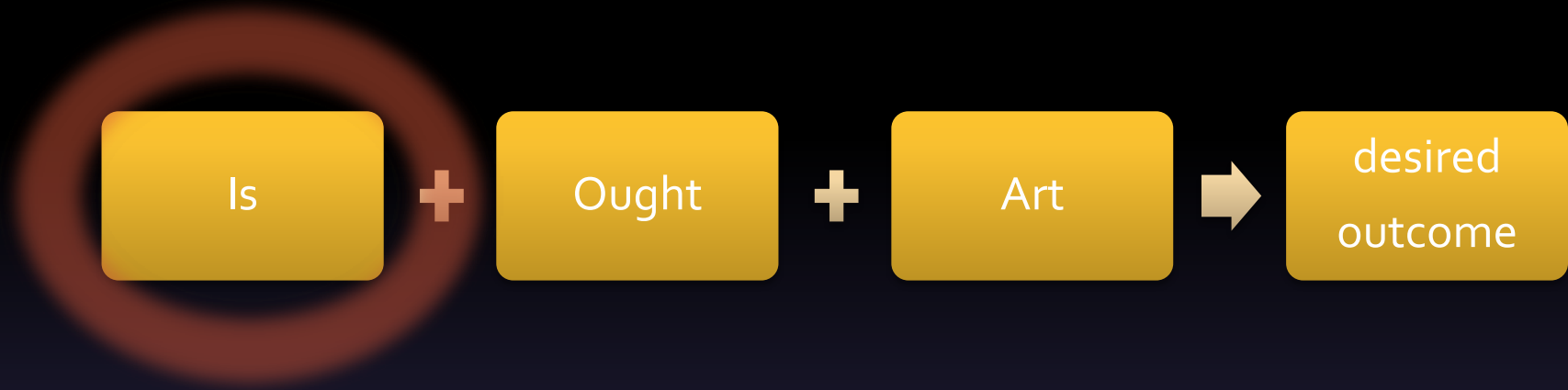


≡ PLAYLIST (34)

Paradise Lost

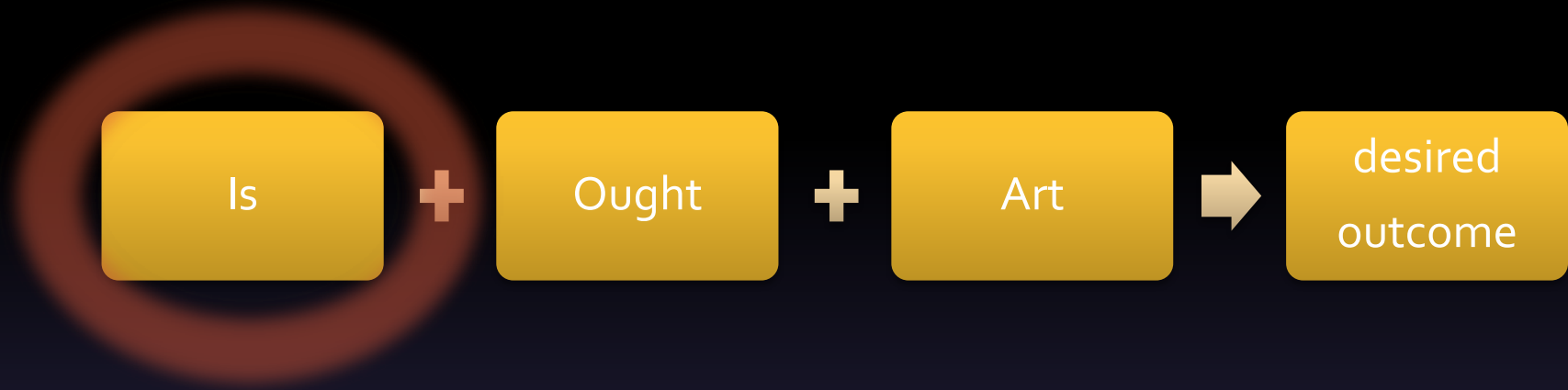
- ~~Best of all possible world~~
- Sources of divergence
 - Constraints, distortions, barriers, or impeding factors
- The Theory of the Second-Best

Models: What are they good for?



- for fitting theories to the world
- for theorizing

Models: What are they good for?



- for fitting theories to the world
- for theorizing
- All models are wrong, but some are useful



Does the Second-Best imply paralysis?

No Country for Old Models

“We need policies based on as much knowledge as can be obtained, as much theory as is relevant, and a large unavoidable dose of judgement....”

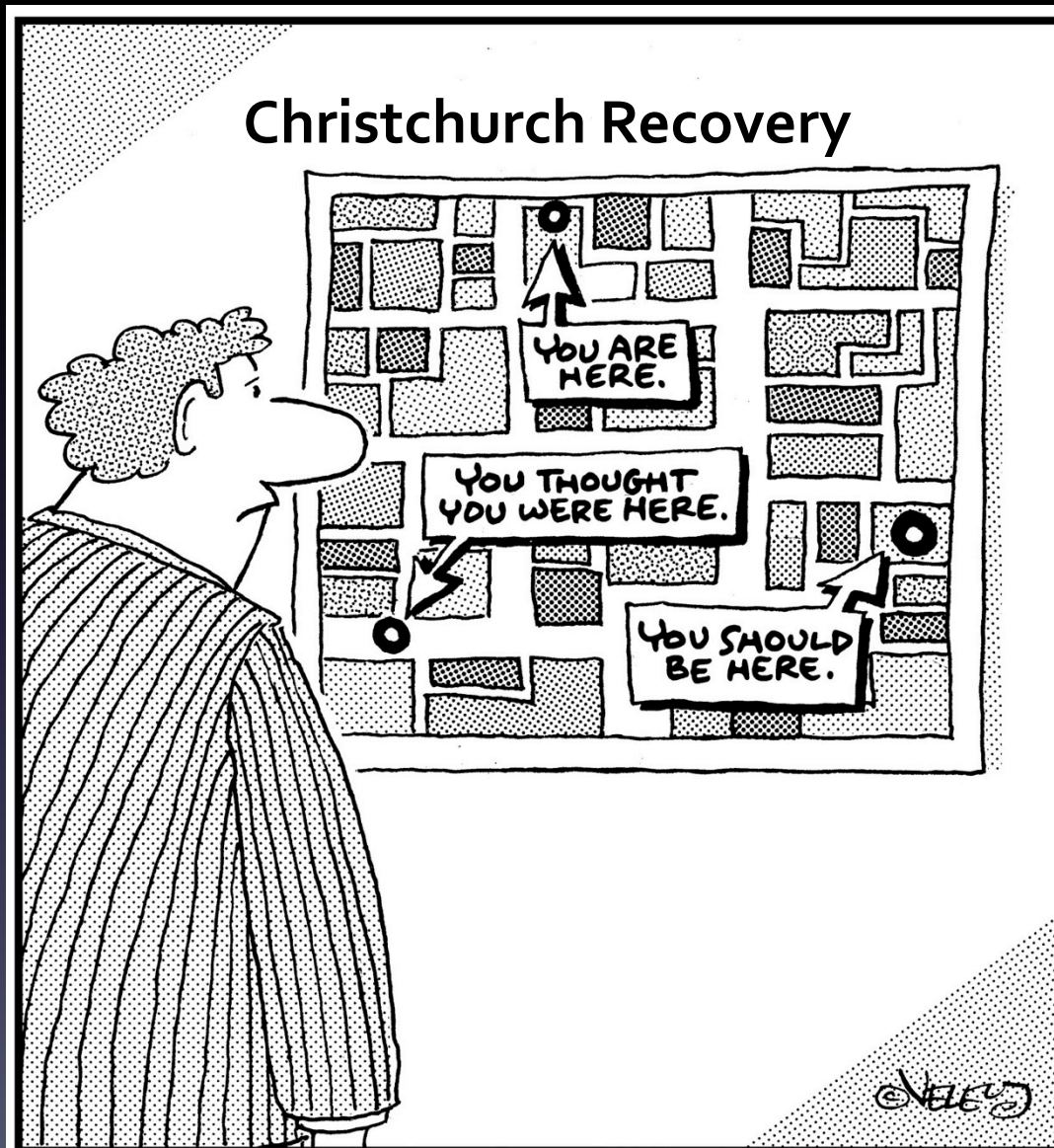
Lipsey, 2017

The Unbearable Lightness of Thinking



- Myopia
 - Amnesia
 - Availability bias
 - Regret avoidance
 - Optimism bias
 - Procrastination
 - Status-quo bias
 - Herding
 - Rules-of-thumb
-
- 2nd generation behavior

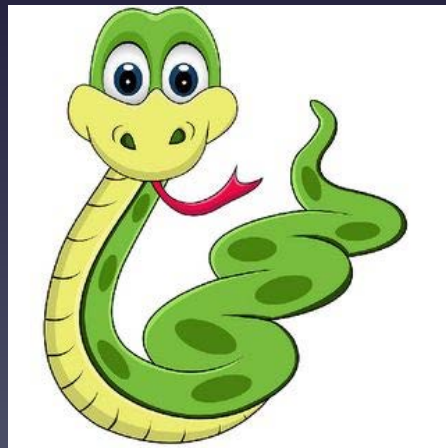
The Kiwi Patient



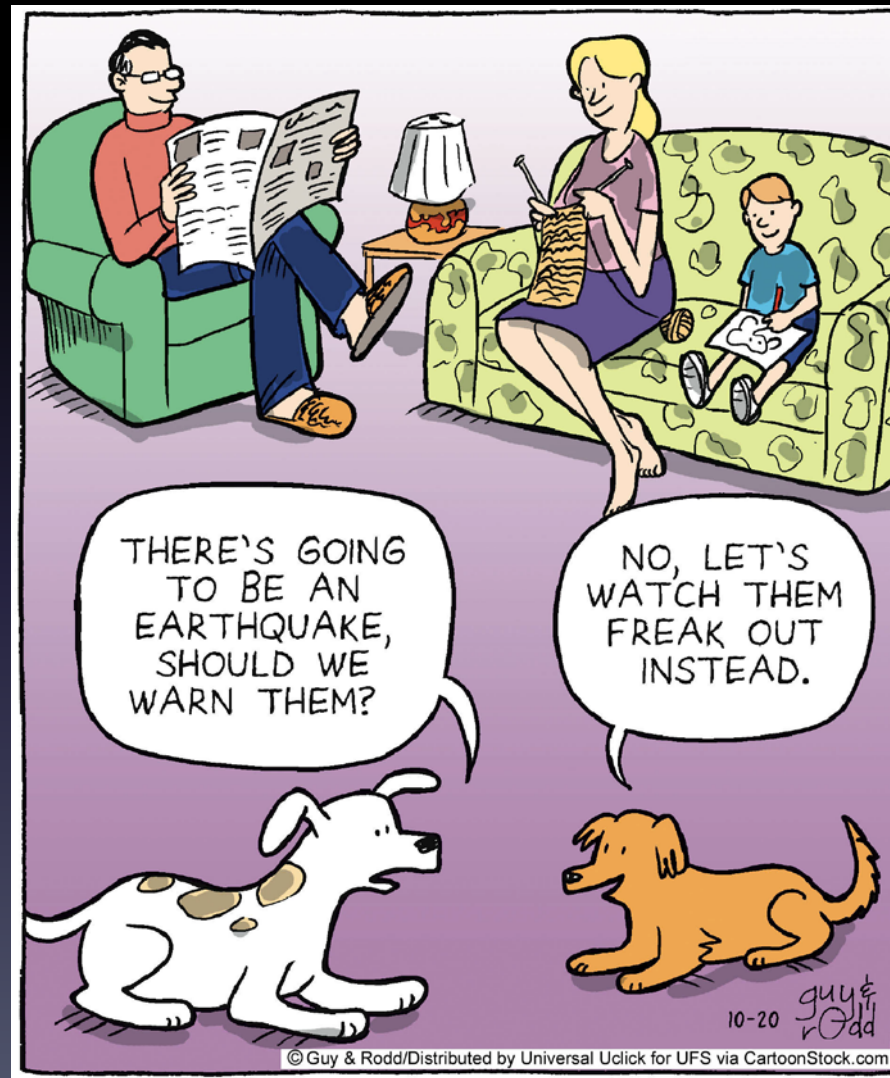
States of Wrath



A Brief History of 7 Problems



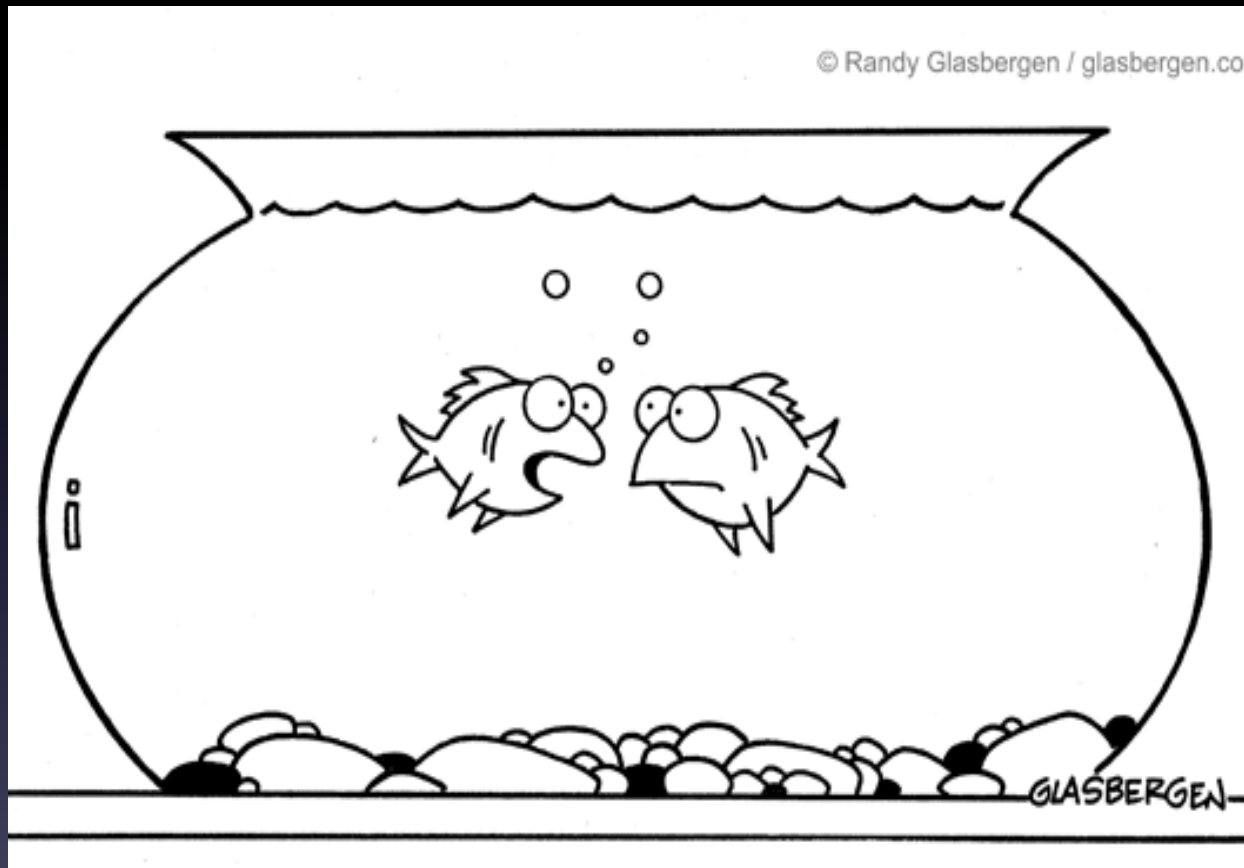
1. Midnight Earthquake



2. Every unhappy contract is unhappy in its own way

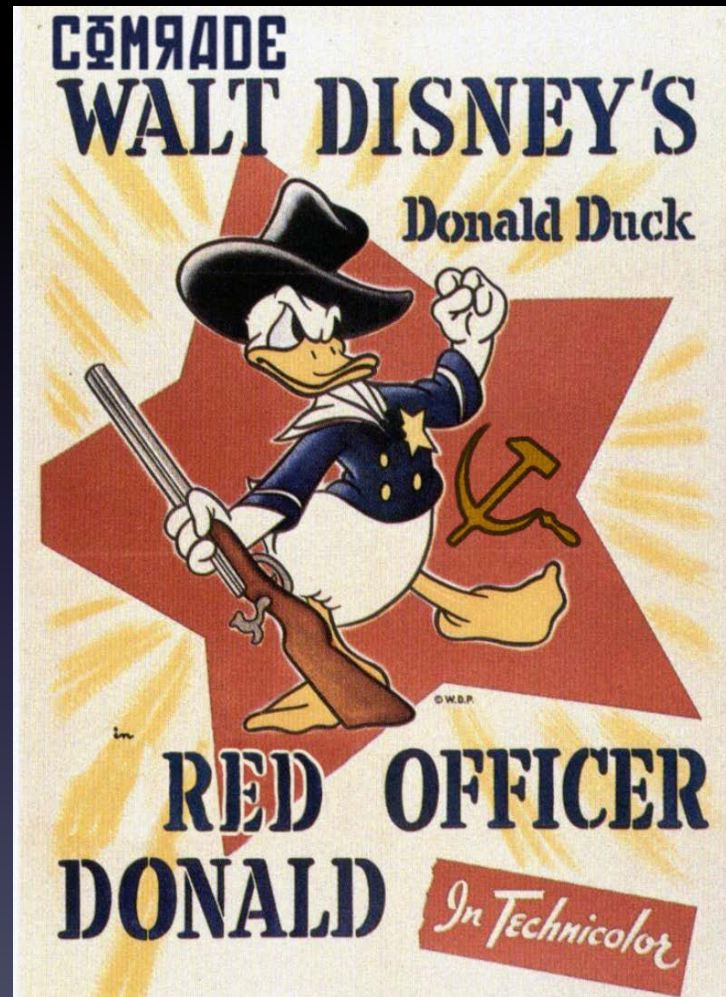


3. Persuasion



“A glass house full of stones...no wonder our home insurance is so expensive!”

4. The Communist Manifesto



5. The Art of Nudging



6. The Old House and the Sea



7. The Abominables



The road to wisdom?
Well it's plain
and simple to express:
Err
and err
and err again
but
less
and less
and less

Piet Hein