

CHOICE, EXPECTATIONS AND MEASURABILITY

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For arguments about matters concerned with feelings and actions are less reliable than facts: and so when they clash with facts of perception they are despised, and discredit the truth as well.

Aristotle, *Ethica Nichomachea*, X, 1172a-b.

I. INTRODUCTION

Economists learned only recently, and with no little surprise, of the revolutionary consequences that could be derived for our science if the basic ideas used by Daniel Bernoulli and Gabriel Cramer in their solution of the Saint Petersburg paradox were further developed by an extensive mathematical analysis. The event was marked by the publication in 1944 of the epoch-making work of Professors Neumann and Morgenstern, *The Theory of Games and Economic Behavior*,¹ which among other things informed economists — at least — that utility is measurable. However, this discovery soon spread general uneasiness. The reason for this has its origins in the following conflict: It is only “we” who can say what “measure” should mean, and it is only “we” who *immediately* should — according to the theory — arrive at the measure of utility. And when “we” end our search without finding in “us” what “we” have defined in advance, certainly something must be wrong.² Two symptoms found in recent economic literature show that this problem is far from being satisfactorily answered. In the first place, almost every economic periodical takes up with remarkable frequency

1. A complete list of references appears at the end of the paper.

2. This is, perhaps, a more precise way of expressing, for this particular purpose, the idea of Professor Hayek, who in his recent book insists with such timeliness that what distinguishes the essence of moral from that of natural phenomena is the fact that the moral phenomenon implies man's awareness of his participation in it (Hayek, 2, Part I; Ch. III). It is with regards to moral sciences, more than to anything else, that it is appropriate to follow one of William Blake's *Proverbs of Hell*: “Truth can never be told so as to be understood, and not be believed.” (Quoted by Ramsey, 1, p. 156.)