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INTRODUCTION

The **Vol. 21. No. 79** of the **Central European Political Science Review (CEPSR)** treats the topic of **THE PATHS OF THOUGHT**, the role of actors in public life and in the science. The **No. 79 of CEPSR** contains both theoretical and empirical articles as well an international comparative and case studies, aiming at giving a complex picture, we selected studies from several different countries.

We publish in this issue an excellent chapter from **Laurence Whitehead** about **John C. Harsányi**. The Nobel diary scientist, Harsányi was born 100 years ago, and he received the Nobel Prize 25 years ago for his game-theory. As Whitehead professor points out, that Harsányi was the founders of modern game theory “who most sought to extend its application from the two-person level to large-scale and historically-conditioned social processes, where such assumptions may need to be relaxed. And the game-theoretical approach has much to contribute at this macro-social level through its attention to the “micro-foundations” of individual rationality and choice that invariably accompany and help structure these larger processes.” **Béla Pokol** wrote a thoughtful chapter about the duplication of the constitutional law. He argued that the duplication of the whole legal system can be outlined. The author reflects on the consequences of constitutional adjudication.

The emails of the readers point to the fact that during the last 20 years the Central European Political Science Review established its professional reputation among the scholars of social sciences. Our aim is to publish in the **Central European Political Science Review** those political science articles that analyze Central European events, issues and politics. We also welcome conference reports call for papers and book reviews for publication, which focus on Central Europe of having a message for the region. For this way, **CEPSR** can contribute to the strengthening of the relationship, understanding and exchange of scientific information between the researchers and intellectuals of our Central European region.

Janos Simon
Editor-in-chief

Laurence Whitehead

**Games and Gaffe-Avoidance
- Risk and Uncertainty-Reflections in Honour
of John Harsanyi¹**

Introduction

It is a pleasure and a privilege to speak at this opening conference of the John Harsanyi Centre and Archive, in the company of such an impressive gathering of participants and supporters. It is evident that a Centre named after so distinguished and wide-ranging a Nobel Laureate will need to aim high, to mobilize a strong community of contributors, and to develop a robust governance structure that ensures its quality and its academic autonomy, and underwrites its capacity to deliver international quality work in the social sciences.

A. Learning from Harsanyi

Other speakers today are better qualified than I to address Harsanyi's place in the development of game theory, and its more technical applications to many areas of social enquiry. My area of competence is comparative politics, and comparative area studies, with a particular emphasis on such large-scale and long-term historical processes as democratization and state formation. These are complex and multi-dimensional phenomena that are contextually specific and thus particularly hard to capture in any formal model. But there is much to learn from examining them in the light of comparative theory, rather than treating each case as separate and unique. The categories and concepts required for such comparative analysis are subject to periodic dispute and redefinition (indeed it has been argued that they are "essentially contested"), not only because they operate at a very high level of abstraction but also because they intermix normative with positive elements – they are simultaneously both descriptive and value-laden. Moreover, they involve dynamic processes which unfold stochastically and perhaps erratically, and which contain many moving parts. Rather than advancing predictably and steadily, they are often judged to be faltering, deviating from an expected path, or

¹ Address delivered at the inauguration of the John Harsanyi Centre, in Budapest, on June 1st 2018, Budapest – Hungary.

perhaps (as in many current discussions of democratization) even “backsliding”. In short, they concern powerful aspects of macro-social development that are recalcitrant to the ontological assumptions of game theory, with its sharply defined purposive actors facing clearly delineated choices, and -ideally -governed by stable rules of procedure.

Nevertheless, John Harsanyi was among the founders of modern game theory who most sought to extend its application from the two person level to large-scale and historically-conditioned social processes, where such assumptions may need to be relaxed. And the game theoretical approach has much to contribute at this macro-social level through its attention to the “micro-foundations” of individual rationality and choice that invariably accompany and help structure these larger processes.

Let me illustrate the scope for connecting these two very different levels of analysis by reference to a contemporary process of political contestation over the scope and meaning of democracy. I have been closely following the recent confrontation between the Generalitat of Catalunya and the self-styled “constitutionalist” authorities in Madrid. The October 2017 unauthorized referendum on the creation of a Catalan republic, and the ensuing Spanish legal actions in Barcelona, including the jailing of most of the local independence leadership on charges of sedition, dramatize the contestedness and the multi-dimensional complexity of this historic political showdown. A full understanding of the institutional dynamics and macro-political consequences of this extended period of disorderliness clearly needs to draw on a variety of techniques developed by comparative democratization scholars. At the same time, in my opinion, it is also highly illuminating to explore the relevance of two of the most standard games in the game theoretical toolbox. The whole process that culminated in the last minute decision of the Generalitat authorities not to proclaim a formal unilateral declaration of independence (on October 27th 2017) can usefully be modeled as a “game of chicken”. And the disjunctures confronting the independentistas once they had backed off fit into the broad contours of a stylized “Prisoners’ Dilemma”. Even though modern game theory does not encompass all that social science can contribute to the elucidation of this paradigmatic episode, it can certainly make a constructive contribution.

I have referred to “modern” game theory, but it is as well to acknowledge that the problem of how to reason from the clarity of

options presented to a player engaged in a well-established game to the muddy alternatives facing actors engaged in opaque “real life” situations is by no means a new subject. A century before game theory was elaborated the celebrated English Victorian novelist George Eliot wrote about the shift from status to contract that was then underway in industrializing Britain. In her most political book (*Felix Holt: The Radical*) she tried to address the political consequences that were about to materialize with the extension of the franchise and the incorporation of a far larger and more diverse set of actors into the political process. Here is a striking passage from that novel:

“Fancy what a game at chess would be like if all the chessmen had passions and intellects, more or less small and cunning ; if you were not only uncertain about your adversary’s men, but a little uncertain also about your own; if your knight could shuffle himself onto a new square by the sly; if your bishop, disgusted at your castling, could wheedle your pawns out of their places; and if your pawns, hating you because they are pawns, could make away from their appointed posts that you might get checkmate on a sudden. You might be the most long-headed of deductive reasoners² and yet you might be beaten by your own pawns. You would be especially likely to be beaten , if you depended arrogantly on your mathematical imagination, and regarded your passionate pieces with contempt.

Yet this imaginary chess is easy compared with the game a man has to play against his fellow-men with other fellow-men for his instruments. He thinks himself sagacious, perhaps, because he trusts no bond except that of self-interest; but the only self-interest he can safely rely on is what seems to be such to the mind he would use or govern. Can he ever be sure of knowing this?”³

Although the main focus of Harsanyi’s work lay elsewhere, he too resisted the reduction of human motivation to simple self-interest. Several other motives can also be entertained in a good theory, provided that they are clear and few compared to the range of behaviors being explained, he wrote in his 1969 article in *World Politics* (Harsanyi 1969:513-538). He added: “In my opinion it is a clearly established empirical fact that many important aspects of everyday economic and political behavior *cannot* be explained in terms of this (just

2 As an Oxford man I cannot resist mentioning that she originally wrote “Cambridgeians” in her first draft, before substituting “deductive reasoners”.

3 George Eliot *Felix Holt: The Radical* (1866) first two paragraphs of chapter 29 (Penguin 1972 edition p. 383).

self-interest LW) over-simple theory of human motivation. Even in economic life...many aspects of people's behavior cannot be explained without recognizing that many individuals are motivated partly by noneconomic and/or non-egoistic motives"⁴ He went on to add that in political life these seem to be even more important, and he even singled out the role of symbolic and expressive motives in determining political behavior.

Janos Simon has already given us some striking insights into Harsanyi's personal biography (Simon 2019:21-30), and I find it tempting to speculate that the drastic social experiences he encountered during his youth are likely to have influenced his opinions about political behavior more generally. Consider the following episode, as recorded in the *Economist* obituary of September 2000:

"Hungary entered the Second World War, but Germany occupied Hungary on 19 of March, 1944. After the occupation Mr. Harsanyi, was obliged to work in a "forced labor" group, because his origin. (He was the son of a baptized Jewish family). In November 1944 he was with a group about to be sent to a concentration camp when he removed the yellow star that Jews had to wear and walked away. A guard stopped him, but not all his fellow countrymen were Nazis, and he let him go".

So here was an unforgettable personal experience of the need to choose in conditions of extreme uncertainty, both about the reactions of one particular guard (who had to respond on the spot to an unforeseen action that put his own security at risk if he was caught condoning it), and -equally uncertain at the time- the balance of risks involved in obeying authority and following the rest of the group who were choosing not to remove their yellow stars. This particular game was no idle pastime, but literally a matter of life and death. Perhaps that helps explain why Harsanyi (already deeply schooled in philosophy, science, and mathematics) not only devoted such energy to the systematic exploration of two person non-co-operative games with asymmetric information, but also tried to expand his insights into the much larger field of scientific explanation of large scale and dynamic social processes, and to establish an ethical standpoint from which to assess their merits or demerits.

His remarks on collective social values, and on their slow and uneven pace of change, and his interest in "normative" as well as the

4 John C Harsanyi 1969 "Rational-Choice Models of Political Behavior" *World Politics* July p 519.

"predictive" aspects of social modelling, are both useful for the kind of macro-level comparative topics that I work on. For example, in the same *World Politics* article he also observed that:

"Perhaps the most important single contribution that normative rational choice models can make to clearer thinking is their emphasis that in most situations we cannot recharge all our social values at the same time, so that *choice* among different values is necessary.... If we give greater political participation to the electorate in political decisions (e.g by popular initiative, referendums, etc) then we probably decrease the protection given to minority rights or to the right of dissent. Thus one democratic value (popular participation) can be increased only at the expense of other democratic values... such choices have to be made whenever the situation requires them".⁵

In the same way, he argued, it may sometimes be necessary to choose, or trade off, between political and economic values, or between personal freedom and collective security. More generally, therefore, he denounced what he called the "Positive Correlation Fallacy" (i.e. that all good things go together). Although most of those present here may regard this as fairly obvious (few who have lived through recent central European turbulence could doubt it) in my opinion it remains an important antidote to some of the hubris that has engulfed academic democratization studies over the past generation. I trust that the new Harsanyi Centre will encourage further development of the social sciences across the full range of his interests, including these extensions of his approach that bring his work into my own subject area.

So, as a student of comparative politics I wish to encourage the architects of the Harsanyi Centre to promote work on these macro-political and ethical aspects of his agenda, which extend far beyond the micro-economic foundations of game theory for which he is most remembered. As the anecdote about the guard and the yellow star underscores, fundamental ideas about individual human conduct (and the values crystallized in each choice) may be disclosed through impulsive (rather than highly rational) action. This is particularly likely under conditions of macro-level stress and uncertainty, so that when painting the bigger picture it is important to also map the architecture of individual choice.

In his more expansive political essays Harsanyi tried to identify certain heuristic criteria for general explanatory hypotheses and

5 Ibid. p.537

theory construction at what he called a “deep level of analysis”. But context also matters, and we should not overlook the other side of his proposal {“ of course it is still necessary to set up *specific* explanatory hypotheses tested against social facts”}⁶. To my mind, therefore, in core areas of political analysis such as the comparative study of democratization processes it will be important for the Harsanyi Centre to include work specific and contextually grounded explanatory and evaluative propositions as well as on the micro-foundations of choice and decision theory (including “*indecision*” and even “undecidable” judgements).

B. Gaffe-Avoidance, and Coping with Radical Uncertainty

As illustrated by the quotation from *Felix Holt* many of the challenges posed by these large questions were already laid out by George Eliot a hundred and fifty years ago. A century later, and almost contemporaneous with Harsanyi, another Central European Jewish social analyst- Ernest Gellner- was also reflecting on much the same fundamental issues from the standpoint of European philosophy in general, and Kant and Wittgenstein in particular. My key proposition here is that his “gaffe avoiding animal” essay is worth revisiting as a further key text for your consideration. Let me remind you of a few of Gellner’s key points:

“Games are many and not one. Moreover, they do not all interact with extra-linguistic reality, whatever it is, in the same kind of way, and some of them do not interact with it at all. Insofar as they do interact with it, they do so in diverse ways, for diverse purposes in diverse contexts; thus the “bits” of reality that they capture, record, or report are not all of the same kind. The diversity of the games is reflected in the diversity of the material they dredge up. The incommensurateness of the various games is reflected in the incommensurateness of the material which they pull into their respective nets. And just as you cannot meaningfully reply to a move in chess by a move from dominoes, replying then with a move from Scrabble, so equally you cannot expect the diverse “worlds” to add up to one perspective, one vision, one system. A plurality of interrelated but incommensurate worlds replaces the unitarian world tacitly assumed by classical epistemology...”⁷

6 John C Harsanyi 1976. *Essays in Ethics, Social Behavior, and Scientific Explanation* (Dordrecht: Reidel) p 226,

7 Ernest Gellner 1971. *Relativism and the Social Sciences* (Cambridge University Press) p.71

Gellner derives some striking inferences from this assessment: “A great part of our life is spent not so much (as those social sciences which are inspired by the end-means model would suggest) in the pursuit of aims, but in the avoidance of gaffes... treading our way gingerly through a variety of games to which we are only in part habituated.... for much of their life, men are not maximizing anything, or striving for some concretely isolable end, but are simply eager to be included in, or to remain within, a continuing play. The role is its own reward, not a means towards some further end-state”⁸

In a similar vein to the yellow star episode this other Central European Jewish refugee added:

“If you are to choose the most efficient Means, you must *know* (and not take on trust, uncritically) the world in which means are links in these causal chains which you manipulate in getting, in the most economical way possible, to your desired Ends... (However)... For a Jew in the 1930s or early 1940s, in a country occupied or about to be occupied by Hitler, was it rational to flee, whatever the dangers involved? With hindsight, we know of course that it was. But genocide, and coldly organized mass murder were so discontinuous with, at least, European history for some centuries, that assigning some precise probability to it in advance of the event would have been absurd. The *sui generis* nature of the possibility made it virtually impossible to evaluate evidence about the contingency”⁹

As this passage illustrates political life (both at the micro-level and even more so when large scale long-term processes are involved) includes many situations of choice in conditions of ignorance, or at least under acute uncertainty. Tightly probabilistic and predictive rationality cannot be assumed to prevail. As Frank Knight argued a century ago:

” Uncertainty must be taken in a sense radically distinct from the familiar notion of Risk, from which it has never been properly separated. The essential fact is that “risk” means in some cases a quantity susceptible of measurement, while at other times it is something distinctly not of this character; and there are far-reaching and crucial differences.... A *measurable* uncertainty, or “risk” proper... is so far different from an *unmeasurable* one that it is not in effect an uncertainty at all. We shall accordingly restrict the term “uncertainty” to cases of the non-quantitative type. It is this “true”

8 *ibid.* pp72/3.

9 *ibid.* p76, p80.

uncertainty, and not risk, as has been argued, which forms the basis of a valid theory of profit...¹⁰

Such “Knightian” uncertainty lost traction in the Chicago tradition of economic thinking after mid-century. But on the broader understanding of the social sciences as promoted by Harsanyi the distinction between measurable risk and unquantifiable uncertainty remains a live issue. Like the Chicago School Harsanyi sought to expand the domain of probabilistic quantification (notably through the use of Bayesian estimation procedures), but like Knight he also insisted that an important part of social reality remained outside that realm. In my opinion the persistence of such uncertainties in various key areas of social life is not attributable solely to our slowness in categorizing and calibrating all the relevant indicators, or even to the difficulty of tracing causal paths when many variables interact in a complex sequential process. Even if all such impediments could be overcome there would still be other sources of knightian uncertainty, derived from the partial nature of our linguistic and conceptual standpoints, the distortions of societal “groupthink”, and the unpredictable workings of subjective human volition, imagination, and even “will”. Such drivers of our behavior may be of particular salience in comparative politics, and geopolitical analysis- e.g. when tackling “terrorism”.¹¹

So I hope that the Harsanyi Centre will not only include contemporary macro-social processes within its ambit, but will also include radical uncertainty as well as more measurable elements of “risk” within its choice sets. From a broad and long run historical perspective I further propose that the balance between risk and uncertainty should be studied as a variable rather than a fixed parameter.

10 Frank Knight *Risk, Uncertainty, and Profit* (1957 edition, first published 1921) p 33. In the preface to this last edition he wrote: “It is still my conviction that contingency or “chance” is an unanalyzable fact of nature.... Chance is more than human ignorance of causality which is “really” absolute; that idea was always a dogma, an intellectual prejudice. No perfect probability class can be known as such and every knowledge or choice situation involves some element of chance. Hence any grouping of cases will involve some offsetting. “ p lxiii

11 John Kay expounded a parallel set of ideas in *Obliquity: Why Our Goals are Best Achieved Indirectly* (Profile: London, 2010)- e.g. “In business, in politics, and in our personal lives, we do not often solve problems directly. The objectives we manage are multiple, incommensurable, and partly incompatible. The consequences of what we do depend upon responses, both natural and human, that we cannot predict. The systems we try to manage are too complex for us to fully understand. We never have the information about the problem, or the future, we face that we might wish for.”

For example, the “end of history” *zeitgeist* of the 1990s witnessed a rise belief that almost every risk had become more measurable and manageable, whereas the “war on terror” climate that followed the attack on the Twin Towers signaled a retreat that has been accentuated by the 2008 global financial crisis, and most recently by the inauguration of the Trump experiment.

C. The Shifting Balance Between “Risk” and “Uncertainty” in a Globalised World System¹²

Environmental, financial, geopolitical, and security surprises of recent years all underscore the inadequacies of recently fashionable “risk metrics” which aim to tame uncertainty by attaching numerically precise statistical probabilities to contingent events. The theoretical foundations of this approach to risk measurement require the events in question to be separable, recurrent, and reasonably homogeneous. This has proved a powerful analytical tool for the management of a wide range of insurance risks (road accidents, epidemiological incidence, and so forth), and it can also be fruitfully applied to some environmental issues (e.g. hurricane frequencies, and intensities) and to some major aspects of financial behaviour (individual stock selection, asset allocation, and so forth). In some countries it has also been extended to a widening range of social policy objectives where public services are required to meet government specified performance metrics (although in these cases the results are more questionable, since once a target is set it no longer serves as a neutral tool of measurement, becoming instead a goal to manipulate). It has also now become overextended, having been applied to macro-contingencies (such as civil wars) where cases are infrequent and far from homogenous. And it has been applied to events that are not fully separable, but that belong in longer chains of causation where the parameters of interaction are inherently unstable or uncertain (the so-called “butterfly effect” is invoked by chaos theorists to illustrate such possibilities). It also requires patterns of behaviour to be recurrent and not just arbitrary, whereas political leadership can involve surprise, discretionality, and expressive gesturing (as in “populism”), not to mention disruption from “unknown unknowns”/“black swans” (think of coronavirus or Islamic State). Risk estimation works best

12 An update of my contribution to *Future Risk and Social Economic Challenges for Tomorrow* Report 2 from the Chartered Insurance Institute (London, 2012) pp33-40

when the causal connections under consideration are tight and linear. But most of the most important issues facing contemporary policy-makers require both multi-causal and non-linear forms of analysis. There is a critical boundary of complexity at the outer limits of risk analysis, but not so uncertain as to elude judgemental analysis, where the most relevant framing concepts involve such discontinuities as “stalling speed” and “tipping points”.

For the first decade or so after the end of the Cold War this confidence in the ever wider applicability of statistically based risk management techniques was steadily extended into progressively more dubious domains. It changed behaviour, as hitherto sceptical and cautious policy-makers were displaced by more confident and aggressive strategic maximisers, whose reputations for success derived from their willingness to press such risk metrics to the very limits of their plausibility – and then beyond.

The 1998 collapse of Long-Term Capital Management provided an early warning of where this cycle of behavioural change was likely to lead, once all the waverers had been converted to the new faith. When this warning was not heeded the 2008 “sudden stop” to liberalized financial flows provided a starker and more severe corrective. By 2011 the lesson was more widely assimilated. The overconfidence in such risk metrics that characterised the previous decade or two was followed by a severe switchback towards ultra-defensive behaviour and acute risk aversion. This is especially apparent in the major liberalised international financial markets, but one can also observe parallel hubris followed by defensive shifts in key geopolitical arenas. Thus, the successful Al-Qaeda project to fly commercial planes into the Twin Towers has stimulated a chain reaction of security precautions (and neuroses) ever since September 2001. The 2011 nuclear accident at Fukushima may produce a comparable reversal of risk appetites in the global nuclear power sector, with major consequential impact on broader global energy security concerns. The separation between financial risk, geopolitical risk, environmental risk etc. makes sense for analytical purposes, but as these examples demonstrate, in a globalised world economy each of these domains is intimately linked to the others. Thus, for example, the destabilization of long-term strategies for coping with environmental challenges can easily feed through into various forms of enhanced geopolitical insecurity. Likewise, increased financial risk aversion can undermine the long term confidence needed

for major investments in carbon reducing energy projects. And adverse geopolitical or financial conditions increase the chances of security surprises and magnify the scale of their potential harmful repercussions.

D The Recent Retreat from “Risk” and the Correlative Rise of Uncertainties

One of the most telling confirmations that the old intellectual consensus has failed concerns the edifice of numerical beliefs it constructed around the notion of a “risk free” class of financial asset. According to orthodox financial theory this was supposed to be US Treasury bills. Neither monetary theory nor financial history actually provided much of a justification for this assumption. After all, within living memory the US government had ended the convertibility of the dollar into gold (at \$35 an ounce until 1971), and throughout the first decade of the twenty-first century first the President, then the Congress, and then the Federal Reserve had dedicated their efforts to undermining the fiscal and monetary foundations of the greenback. By the time of the Lehman collapse in 2008 there was an evidently non-negligible possibility of another legally enforced suspension of normal commercial banking, and eventually in August 2011 (long after it was due) the rating agencies took away the US government’s three star A rating. But in the absence of an unquestionably risk free financial yardstick, all the elaborately structured hierarchy of higher risk assets may become detached from their fundamental moorings. Similar considerations have destabilised traditional monetary hierarchies in Japan and the UK, with the Eurozone not far behind. It is hard to assess how long it may take, and how hard it may prove, to restore a predictably “normal” pattern in world financial markets once a decade of global quantitative easing swings into reverse.

It is not easily predictable whether this hollowing out of the assumptions upon which modern financial risk management has been erected will lead to any specific foreseeable consequences, but this example does highlight the broader process of the retreat of measurable risk and its substitution by uncertainty. In this particular case the uncertainty arises from the fact that short-term money managers no longer have a highly calibrated team structure of incentives to “lock-up” their cash for determinate periods of time. In the absence of such traditional constraints and incentives,

they might be more prone to “herd behaviour” which could take the form of extremely rapid and massive redeployments of funds from one deposit basis to another, perhaps prompted by nothing more than false rumours or anticipatory defensive repositioning. As financial intermediation has accelerated over the past two decades of economic globalization and financial liberalization the stock of liabilities accumulated within both the formal and the “shadow” banking systems has risen to an ever higher multiple of the goods and services (“real”) side of world economic output. The stability of these liabilities rests on a trustworthy structure of counterparty interaction and arbitration, and in the last resort on a legally enforceable dispute resolution, debt liquidation, and dispute settlement system. So financial confidence cannot ultimately be detached from the exercise of sovereign power. But “too big to save” host governments are reliant on tax bases that in turn are dependent upon the output levels of national economic systems.

Since 2008 illusions of supranational authority capable of backing up, or even over-riding, these sovereign state prerogatives have been shattered. Iceland, and Greece provided the clearest indication that some national fiscal authorities have assumed contingent liabilities to private financial corporations so large that their own sovereign credit-worthiness can be jeopardised. The idea that some higher level authority – the ECB, the IMF, or the Federal Reserve – will always be available to reinforce sovereigns in fiscal distress rests on institutional and political assumptions that may not prove givens. The prospect must be considered that not only a few over-extended peripheral states, but even leading advanced capitalist nations (such as Italy) could *in extremis*, be destabilized. But it is illusory to attach precise numerical probabilities to such uncertain contingencies. The domino effects that destabilized Europe and the world in the 1930s were relegated to the margins of risk analysis before 2008. But similar possibilities remain latent both within the Eurozone and potentially more widely.

Although the most spectacular shift from risk back to uncertainty can be observed in the domain of finance there are also parallel trends in evidence elsewhere. For example, in the domain of global climate change modelling and management, the dominant assumption from the founding of the UN IPCC to the 2010 conference to upgrade the Kyoto Treat was that as more accurate scientific evidence was accumulated the range of uncertainties would be narrowed, and

a rational cost-benefit strategy for mitigation of carbon emissions would consequently emerge. The peak of this risk assessment optimism was provided by the Stern Report. Even at its apex, this still required a level of trust and indeed faith that went beyond what was warranted by the hard evidence. Over the subsequent years the objectivity of the science, the reliability of the data, and the trustworthiness of the process for risk managing global warming have all come under sustained pressure. While there is no longer much serious doubt about the importance of anthropogenic climate change, this generates more uncertainty than consensus on the necessary and feasible steps required for effective mitigation. The uncertainties are multiple and overlapping. Some concern timeframes, others costs, others the risk of unintended side effects. But in addition there are imponderables concerning the respective responsibilities of the numerous and heterogeneous decision-makers. Collective action and agency difficulties compound the other uncertainties. Confidence that these risks can be accurately assessed and then appropriately managed has been thrown into reverse. As a result (compounded by the financial crisis and the popular appeal of climate science denial when immediate interests are at stake) this category of risk and uncertainty has simply slipped down the international policy agenda. Whereas a risk management philosophy would focus on the greatest dangers, a switch to undifferentiated uncertainty can cause a crucial issue to simply become shelved as too hard to tackled (until the neglect generates an unmistakable compulsion to react).

Similar considerations may be operating in the security realm. The West’s unexpectedly comprehensive victory in the Cold War dismantled one longstanding and rigid structure of security risks. For a decade or so defence spending was reduced, and it seemed that progress might be made in taming the remaining risks. But since the unexpectedly traumatic and effective asymmetric war technique used by Al Qaeda in September 2001 (hijacking civilian aircraft) the proliferation of new security dangers has overturned any such optimism. “Burden sharing” and counter-proliferation agreements have lost traction, and ruling elites have been destabilized by popular unease over migratory flows. In addition to “terrorism” nurtured in “ungoverned spaces”, these dangers include heightened fears over extra-territorial meddling and asymmetric warfare; intensified vulnerability of advanced economies to cyber-attack; and various forms of biological and chemical aggression that may be operated by

non-state as well as by state actors. In response to this harsher security environment leading western powers have attempted to maintain their ascendancy, and to mitigate risk, by accelerating the production of new military and security technologies. Recently Washington has been making increasing use of “drone” attacks, and the associated warfare capabilities, to police remote enemy havens, and to economise on increasingly less expendable national manpower. This, and other, innovations may seem to defence planners to be effective instruments of risk management, but they are relatively untried and may carry with them grave unintended consequences. Rising and challenger powers may feel compelled to reciprocate. Moreover, drones turn soldiers into remote assassins, and they also discredit a foundational principle of national sovereignty – citizens obey the law in a jurisdiction in turn for an assurance of basic security. It is uncertain whether current western military doctrine and practice will prove a successful instrument of risk mitigation, or a potent engine of delegitimization in countries where the beneficiaries of anarchy will turn out to be themselves an intensified source of danger. Whereas the logic of co-operation may help to stabilise insecurities in the financial and environmental domains (everyone suffers if co-operation fails) in the security domain it is the logic of conflict that necessarily structures behaviour. Thus, every risk mitigation strategy has to be assessed dialectically – i.e. by considering how an opponent may react to the emergence of new vulnerabilities. Game theory is relevant here, but the games in question are complex, untested, and can open new avenues for mistrust and disinformation

Finally, globalization has produced profound long-term geopolitical shifts in power and resources. Such shifts are still on-going (at a very rapid pace) and to some extent their dynamics can be assessed and planned for. However, the successful management of such tectonic adjustments requires solid institutional, security, and financial basis. As noted above, there has been a rise of uncertainty and the displacement of measurable risks in these various domains. That can make the steering and containment of geopolitical tensions more problematic, more short-term, and more crisis-prone. This is much discussed in relation to the “rise of China” and the “reset” of US-Russian relations. It also arises with the associated and potentially disorderly weakening of the European Union. But perhaps the best way to illustrate the broader uncertainties that can arise is to consider the Greater Middle East.

This region remains the most crucial reserve of global oil and gas supplies. It is also the most heavily committed to extravagant defence procurement policies funded either from oil rents or via foreign aid. The invasion and overthrow of the Saddam Hussein dictatorship was imagined as a first step toward the creation of a more stable and democratic Middle East better aligned with the interests of the dominant powers in the “international community”. But the tensions and uncertainties that have arisen throughout the region in the wake of that act of maximum assertiveness still produces repercussions that are hard to calibrate and extremely difficult for the authors of the operation to manage. The consequent uncertainties (currently concerning Iran, Libya, Syria, Turkey and the Gulf) still seem to dwarf the predictabilities. The Middle East remains a major pivot of geopolitical turbulence which lacks much reliable basis for long-term strategic planning.

In summary, over the past decade (or longer) risk management has weakened, and uncertainty has returned with a vengeance. Uncertainty has become more central to financial, environmental, security and geopolitical assessments. Risk management of the orderly and rational variety derived from micro-analysis of insurable events seems less extendable into these macro-domains than was believed in the “liberal internationalist” interlude between 1989 and 2001. So, how should responsible analysts and global policymakers respond to this intensifying panorama of uncertainty and challenge?

E. Four Techniques For Coping With Macro-Uncertainty

The main difficulty about deriving prescriptive conclusions from such an open-ended global analysis as the preceding is that how to react depends on what time scales, policy domains, and interest standpoints are in question. This section stands back from those issues, and can therefore only suggest some very broad and general principles. These would need to be refined and adapted to be made useful in any specific context.

The four general recommendations that follow from the foregoing are: i) the importance of alertness and sceptical monitoring; ii) the value of “contour analysis” and scenario planning, as opposed to reliance on heavily predictive forecasting perspectives; iii) an emphasis on “navigating” round dangers, as opposed to “controlling” all risks;

iv) the need to adhere to basic principles in a consistent manner, even when “triangulation” indicates the expediency of zigzags and short cuts.

a) Alertness and Sceptical Monitoring

The great drawback to excessive reliance on quantitative risk management techniques is that they can lull the unsuspecting user into a false sense of security, and dull alertness to contrary indicators. In all the examples outlined above, it was possible to detect signs that something was missing from the mainstream analysis. But this required scepticism concerning the predictive reliability of the most fashionable management tools, and a willingness to incur the – often not inconsiderable – costs of challenging prevailing “groupthink”. A comparative and historical perspective could often provide the foundation for discordant questioning. But, of necessity, the doubter might find him or herself alone for an extended period of time. And, given the uncertainties under consideration many sceptics would never be vindicated by the eventual outcome. Organisations therefore need to create institutional structures and procedures that shelter well-informed and sincerely held minority viewpoints. Even when a sceptical stance is not borne out by experience, it can improve analytical capabilities by stimulating alertness.

Simple reality checks can be used as a corrective to myopic groupthink about risk. Why are house prices such a rapidly rising multiple of incomes, and can this be extrapolated? Why are so few challenges by climate change sceptics being published in the mainstream scientific journals? Why are there so few Greek taxpayers on the income tax role? Why are western powers so arbitrary and selective in their identification of allies and enemies in the Middle East? Awkward questions of this kind should be encouraged, rather than brushed aside on the basis that the implied risks have already been fully assessed and mastered.

b) Contour Analysis and Scenario Planning

The rise of uncertainty and the decline of statistically reliable risk measurement does not mean that all contingencies are equally plausible, or that future developments are entirely unknowable. To the contrary, scaling back reliance on spuriously accurate predictive models can open the way to more helpful and realistic evaluations of prospective trends based on qualitative evidence, interpretative theorising and well-honed judgement. The starting point for such

evaluations is to recognise that different analytical techniques are required for different issue domains and policy debates. A first step must therefore be to assess the relative weight to attach to tight causal prediction as opposed to looser and more subjective contour mapping and scenario planning, when addressing the specific problem area under consideration. Since conventional wisdom on such matters tends to be faddish and variable over time (i.e. measurable risk was overstated before 2008 and may now be viewed in key circles as unnecessary) more than one approach should be institutionally protected, and when major decisions arise, alternative analytics should be compared and tested against each other.

Contour analysis involves mapping the overall “lie of the land” on which specific contingent developments will play out. For example, although Italian domestic politics are notoriously intricate and unrewarding, it should have been apparent some time ago that the most loyal member of the European Union was not likely to remain compliant under the suffocating economic constraints associated with Brussels, and casual disregard of other partners for the disproportionate impact of Mediterranean immigration on its labour force. Similarly, even though the full consequences in a specific timescale of a doubling of atmospheric CO₂ may be highly uncertain, there are more definite elements that can be studied and taken into consideration, if one considers say, the sea level rise associated with the melting of polar ice sheets, or the methane release that would accompany the thawing of Siberia’s permafrost. In general, then, when precise measurements to risk are unreliable or too incomplete, it may nevertheless be possible to track major components of aggregate tendencies through a systematic contour analysis approach.

Scenario planning can also provide a constructive substitute for misleadingly rigorous predictive forecasting techniques. At the time of writing there is very little reliable basis for predicting the near-term outcome of the likely reversal of global quantitative easing. The alternative possibilities are starkly at variance, the inevitability of a fork in the road is apparent, but guessing which option will prevail is a highly subjective and basically quite arbitrary exercise, at least for now. Instead of attaching untenably precise quantitative probabilities to the various alternatives, a scenario planner would concentrate on sharpening the logical structure of the contrasting trajectories, and highlighting the drivers and obstacles

at work in each case. This is a modelling procedure that inevitably oversimplifies and stylizes the rival scenarios (in practice outcomes are almost always some messy hybrid of the options considered). But, if conducted with judgement and insight, it can provide more help to decision-makers who need to anticipate future trends than any overly mechanistic projection or extrapolation.

c) “Navigating” contingencies rather than “controlling” variables

The numerical precision of standard risk management techniques can create the illusion that decision makers are fully in control of all the relevant variables. While that might be a reasonable approximation to reality in some policy domains (sales volume will fall by X% if tobacco tax is raised by Y%) it can be a source of error and danger if unthinkingly extended to such macro-domains as have been considered above. Policymakers who liquidate banks or launch drone attacks, or close nuclear power stations need to be helped to recognise the limits of their ability to foresee all the consequences of their actions, let alone to control all the relevant variables. Once the die has been cast they may well become prisoners of the dynamic they have unleashed, no longer in control but rather controlled by forces they could not fully anticipate. Even so, there are of course many situations in which policymakers must act one way or the other (or accept the consequences of their inaction). So the “precautionary principle” (however useful in some contexts) cannot provide a uniform substitute for judgement and even rough guesswork in those many situations where action is required before all the results can be fully estimated. Instead, the course of wisdom may be to map the relevant contours, to review the alternative scenarios, to carefully consider discordant voices, and then if necessary, to take the critical decision, in full knowledge that what then follows may well be contingent and uncertain.

The metaphor of “navigation” is relevant here.¹³ Even the most powerful of political, economic, business, or scientific leaders will often be unable to measure in advance the costs or returns of their strategic choices. Once a policy is set in motion it may be possible to evaluate the out-turn by comparison with initial expectations.

13 Edgar Morin sets out the contrast between “strategy” and “programme” in his suggestive *Introduction a la Pensee Complexe* (Paris: Editions du Seuil, 2005) p 119.

But when large scale and complex problems require full-scale engagement, it can be no easy matter for powerful leaders to obtain independent and objective feedback on how well they have been chosen. These will be powerful vested interests in presenting a favourable interpretation of the results, and (if necessary) in generating alibis or counterfactual justifications to cover up failures. Complex dynamic processes like Eurozone reform, or financial market intervention, seldom produce short-term clear-cut and final results. Instead they unfold stochastically, with each new stage presenting further decision points, and changing the parameters of the initial choice set. Instead of launching a rocket to the moon, the policymaker is more likely to have embarked on a sailboat across the Atlantic. Even if the eventual destination is fairly reliably known, the intervening storms and currents, and other possible surprises both on board and en route, can mean that the time of arrival and detours during the voyages remain unpredictable contingencies. Recognition of such imponderable, and preparation for the unexpected, constitute the foundations of wisdom when contemplating any such undertaking.

d) Holding Fast to Basic Principles and Values

If statistically robust tools of risk management were reliably available then the task of the decision-maker would be greatly simplified. All that would be required was identification of the outcome to be achieved, followed by a technical exercise to ensure that the means chosen were the most efficient/reliable/cost effective available to achieve the desired result. This is roughly how the Stern Report conceptualised global strategy to limit anthropogenic climate change. It is how the Federal Reserve has approached “quantitative easing”. It may be how the Pentagon operates its drones programme. But despite the operational appeal of this model of decision-making, the post-2008 world system is proving more uncertain, unstable, and unreliable than this approach assumes. If reaction times have become more volatile, if interaction effects have become more complex, and if key actors have lost trust in one another and become more short-term and defensive, then Fordist-style management techniques may no longer deliver as expected. Yet global macro-problems of great urgency and complexity must nevertheless be addressed. Decision-makers faced with such adverse conditions may deserve our sympathy and encouragement. But they also need public legitimacy. Their actions (or omissions) can be expected to inflict big costs on some, as

well as conferring large benefits on others. If the truth is that they are not fully in control of all the consequences of their choices, then they will risk provoking resistance and non-co-operation. Some pragmatic mid-cause corrections are bound to be necessary but the big danger is that the holders of public office could appear to be zigzagging expediently merely to serve the narrow interests of their inner circles, and to conceal their misjudgements from the wider public.

A final prescriptive conclusion, therefore, is that in such uncertain conditions it becomes even more important than in normal times for policymakers to keep in mind some basic principles of probity and public interest. Even if they are not able to achieve legitimacy by delivering desired results they can try to maintain trust through observance of correct procedures and the maintenance of strong accountability.

F. Suggestions for a Harsanyi-informed Research Agenda

As noted at the outset, there are many different ways of developing on the inheritance of Harsanyi's social analysis, and mine only reflects my personal viewpoint and expertise. With that major *caveat* this text suggests four tentative headings that might fit into a research agenda for the Harsanyi Centre and Archive:

a) the conceptual and methodological benefits -and challenges- of "scaling up" from clear simple models of two or few person games to the application of parallel reasoning for the explanation of large-scale and long-run historical processes. There is a two-way debate to be had here, As the Catalan example illustrated, and Harsanyi himself argued, such micro-foundational reasoning can clarify more complex processes. Edgar Morin points out that two scales are inherently conjoined by what he call "hologrammatic" connection. (It only needs the DNA in one cell to produce an adult human; and it only needs one surviving democratic individual to preserve the potential for universal democratization). But equally, in the opposite direction, the ambiguities and complexities of global history also transmit downwards to the level of any real two person game, in which the players retain the potential revise or destabilize the rules of the game, and have the freedom to switch channels from one game to another, evading any externally determined system of discipline or controls.

b) although there are important areas of large scale social life (such as demography, insurance, voting) where strongly predictive patterns can be reliably modeled, there are other equally important

areas (e.g. civil wars, regime changes, populist insurgencies,) where the nature of the game, the stability of its parameters, and the trustworthiness of the participants is much more uncertain- some assumptions must still guide the choices of agents, but these are tentative and competing scenarios of indeterminate reliability, not causal mechanisms.¹⁴ Even the more predictable areas are much easier to model retrospectively than prospectively.

c) an interesting area of advance in the social sciences since Harsanyi and Gellner comes from neuro-scientific research on the psychology of much human choice. In addition to the finding that stated reasons for a choice are often post-hoc rationalizations for "gut decisions" already taken before the evidence can be consciously evaluated, it also appears that internal bodily states play more of a role in determining action than we realize. On the other hand much of this work also relies on "prediction error minimization" (cf *gaffe avoiding*) as the determining process¹⁵

d) In the comparative politics of Latin America I keep encountering what I have called "the endless game of fiddling with the rules of the game". So I shall conclude on a highly specific note – reflecting on recent Brazilian politics (Lula to Bolsonaro) by asking which games are being played, and by who. Some actors are still playing the "rule of law" or anti-corruption game to the exclusion of other possibilities. Others think the inevitability of "pro-market reform" is the one true underlying dynamic. But there are also several competing anti-system games with real potential. This includes leftist, military, and criminal players each with a very different understanding of the stakes and options. Then professional politicians must also cope with extremely polarized opinions expressed through highly uncertain, and potentially unstable electoral processes that are also entangled with judicial struggles, and may be shaped by latent violence.. Most of the population observe these disruptive and incompatible games, and remain fearful and cross-pressured. But

14 For a sophisticated, full-scale, and radical recent exploration of the underlying issues see Alexander Wendt *Quantum Mind and Social Science: Unifying Physical and Social Ontology* (Cambridge University Press, 2015). For example: "If we are quantum systems, then a normal human mind will be in a superposition rather than well-defined state, and as such "there exists nothing to be maximized". Rationality cannot mean relating means to ends if ends do not even exist prior to the choice of means". (p 166).

15 See e.g. Andy Clark: *Surfing Uncertainty: Prediction, Action, and the Embodied Mind* OUP, 2016

in crisis conditions there typically comes a moment of resolution—often an abrupt inflection point after which individuals who had been weighing up rival discourses all cascade towards one narrative to the exclusion of the others (in Wendt’s quantum account this is the “collapse of a wave function”). That is not just an oddity of Brazil. Recently similar collective choices have been disturbing the expectations of technocrats and orthodox social scientists in multiple locations and across a wide range of policy domains. “Populism” expresses expert incredulity, but fails to provide any serious micro-foundational grounding for such choice processes. Harsanyi would never have left it at that, and nor should we.

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