

# **The Role Of Expectations In Economic Analysis**

Nikolay Gertchev  
Université de Paris II Panthéon-Assas

Abstract :

There is a prevailing view in contemporary economic theory according to which market phenomena, as revealed through quantities of goods produced and exchange ratios, are determined solely by individuals' expectations. A related epistemological position claims that economic laws are contingent upon the content of individuals' expectations. The purpose of this article is to refute this view. In order to achieve this goal, we first reexamine the relation between individuals' choice and their expectations. Further, the issues of the formation and correctness of expectations, which are central to the aforementioned standpoint, are discussed and it is shown that they are neither essential nor necessary for economic analysis. We also stress that the exaggerated importance of expectations in economic theory is rooted in the positivist agenda. We conclude the paper by the suggestion that standardization of expectations, but not expectations themselves, can be a useful tool for the economic analysis of institutions.