

Preface

WHENEVER I read a book or a passage that particularly pleased me, in which a thing was said or an effect rendered with propriety, in which there was either some conspicuous force or some happy distinction in the style, I must sit down at once and set myself to ape that quality. I was unsuccessful, and I knew it; and tried again, and was again unsuccessful and always unsuccessful; but at least in these vain bouts, I got some practice in rhythm, in harmony, in construction and the co-ordination of parts. I have thus played the sedulous ape to Hazlitt, to Lamb, to Wordsworth, to Sir Thomas Browne, to Defoe, to Hawthorne, to Montaigne, to Baudelaire and to Obermann.

... That, like it or not, is the way to learn to write; whether I have profited or not, that is the way. It was so Keats learned, and there was never a finer temperament for literature than Keats's; it was so, if we could trace it out, that all men have learned; and that is why a revival of letters is always accompanied or heralded by a cast back to earlier and fresher models. Perhaps I hear some one cry out: But this is not the way to be original! It is not; nor is there any way but to be born so. Nor yet, if you are born original, is there anything in this training that shall clip the wings of your originality.

Robert Louis Stevenson

Never trust the artist. Trust the tale. The proper function of a critic is to save the tale from the artist who created it.

D. H. Lawrence

That a book having the ambition to build bridges between Allais's theory of psychological time and behavioral finance—a book furthermore containing many mathematical developments, numbers, and figures—could start with words borrowed from R. L. Stevenson and D. H. Lawrence, should surprise more than a few readers. Yet, the reason for this choice is very simple: these two authors brilliantly express the motivations that, besides the wish to explain Allais to myself, have led me to write this book.

Stevenson, first. By tracing any revival of letters back to the discovery or rediscovery of earlier and fresher models, Stevenson shows a path toward progress that is valid for any intellectual discipline, economics included. The conviction I neither would nor could conceal is that Allais is a gigantic economist, a true genius, a genuine artist, from whom we still have a lot to learn. This is true now more than ever, since mainstream economic theory seems at a loss to explain the economic and financial crisis that seemingly “started” in 2007, but which had been in the making for many years.

Then, Lawrence. It is an understatement to say that Allais paid lip service to the “marketing” of his works: his passion for research has overwhelmed him time and again. People who knew him well politely describe him as “not easy to work with.” Were the Nobel Foundation to award a prize for self-promotion, Allais would never make it to the short list of potential laureates. May this book prompt researchers to overcome the hurdles, some of them inadvertently erected by Allais himself, behind which lie, still to be recognized and appreciated, many theoretical jewels!

Last but not the least, there is no reason to pit mathematics against letters. Mathematics is nothing but a language that aims at combining conciseness with the utmost lack of ambiguity, two seemingly contradictory requirements. Literature is replete with references, most of the time implicit, to psychological time, the cornerstone of Allais's theory of “expectations” under uncertainty. Economics does need philosophers, novelists, and poets to reveal essential aspects of human

psychology. Guided by their intuition and experience, poets, novelists, and philosophers tend at least to hint at many of the most essential characteristics of human nature and psychology. But economics also needs mathematicians and physicists to rigorously answer the questions raised by people of letters. This is, I believe, what Allais has achieved with his theory of psychological time and memory decay.

