

**Roman Frydman** is Professor of Economics at New York University, Chair of the INET Program on Knightian Uncertainty Economics, and Founding Editor of Project Syndicate. Frydman's lifelong research has focused on the implications of Knightian uncertainty for macroeconomics, finance theory, and policymaking. His early work examined the widespread belief that the Rational Expectations Hypothesis (REH) – which since the 1970s has become the core premise of behavioral and imperfect-information approaches as well – provides the appropriate standard for modeling forecasting behavior. In contrast, Frydman argued, in a 1982 article in the *American Economic Review* that REH models do not provide an adequate representation of rational decision-making in real-world markets.

In the 1990s, Frydman became involved in the post-communist transformation in Eastern Europe and the former Soviet Union. He was one of the proponents of mass privatization – a novel approach to distribute equitably state-owned assets to citizens who lacked the resources to acquire them. His joint research with Andrzej Rapaczynski and others examined the political economy of the post-communist transformation and involved extensive empirical studies in ten countries. The results were presented in numerous articles and [eight books](#) (published by Oxford University Press jointly with Central University Press). This research laid the groundwork for the creation of [Project Syndicate](#), which initially provided surveys of transition issues and commentaries to newspapers in fledgling democracies, but has since grown into the world's largest provider of original commentaries on vital issues, which are published in more than 500 quality news outlets in over 150 countries.

Over the last two decades, Frydman has returned to his research on macroeconomics and finance theory. Building on his 1982 *AER* article, he and Michael Goldberg showed that the epistemological and empirical difficulties of existing macroeconomic and finance models stem from their assumption that Knightian uncertainty is irrelevant for understanding outcomes. They presented the results of this research, which they called Imperfect Knowledge Economics (IKE) in a number of articles and two books published by Princeton University Press, [Imperfect Knowledge Economics](#) and [Beyond Mechanical Markets](#).

The arguments advanced by IKE's critique have played an important role in developing an approach that would enable economists and policymakers to build models that recognize that they face Knightian uncertainty. After a multiyear effort, Roman Frydman, Søren Johansen, Anders Rahbek, and Morten Tabor have completed the development of such an approach, called the Knightian Uncertainty Hypothesis (KUH). By recognizing that economists and policymakers face Knightian uncertainty, KUE models show how both fundamental and psychological considerations drive rational behavior and market outcomes. Thus, KUH synthesizes the insights contributed by the major advances in macroeconomic and finance theory – REH and behavioral finance – since the 1970s. [INET's Research Program on KUE](#) aims to develop this approach as an alternative to the prevailing paradigm in macroeconomics and finance theory.