

Unicorns, Higgs Bosons, and the state of macroeconomics

Published: January 13, 2026, 8:14 pm

Can I warmly endorse a blog post under the above title, [to be found here](#)? Anyone who can say this gets my vote:

I was wholly in agreement with [Professor David Hendry](#), who in his presentation on statistical techniques for exploring data, said:

- all macroeconomic theories are incomplete, incorrect and changable
- all macroeconomic time series are aggregated, inaccurate and rrely match theoretical concepts
- all empirical macroeconometric models are aggregated, inaccurate and mis-specified in numerous ways

So why justify an empirical model by an invalid theory that will soon be altered? Why is internal model credibility considered more important than verisimilitude? “It’s why people think economists are daft,” he said. And, as he pointed out, DSGE models are not even logically internally consistent because they incorrectly regard agents’ expectations today of the future state of the world, conditioned on what they know today, as the same as their equivalent expectations tomorrow, bar for an unpredictable error — but this would only be true in a stationary world. When the state of the world can change in a non-stationary way between today and tomorrow, the kind of ‘model-consistent’ or rational expectations conventionally used are not possible.

Oh yes.

So true.