

## Quantum Economics: A Novel Interdisciplinary Approach to Economics and Quantum Mechanics

Dr. Rohit Jadhav<sup>1\*</sup>, Dr. Baban More<sup>2</sup>, Dr. Ashwinkumar Chavan<sup>3</sup>, Mr. Sunil Madan<sup>4</sup>

<sup>1</sup>Assistant Professor (Economics), Maharashtra National Law University, Mumbai

<sup>2</sup>Librarian (I/c), Maharashtra National Law University Mumbai.

<sup>3</sup>Assistant Professor (Engineering. Mathematics) SIES Graduate School of Technology, Nerul, Navi-Mumbai

<sup>4</sup>Consultant-Data-Driven, Digital Agriculture and Innovations The World Bank, 3. Washington, DC, USA.

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### ABSTRACT

The time-tested Neo-classical Economics of our times, with its basic assumptions of coherent factors, market symmetry, and deterministic causation, has long served as the substratum of economic principle. Nevertheless, its incapability to sufficiently foresee compound phenomena like financial crises, systemic risk, as well as the intricacies of our policymaking has exposed substantial precincts. This paper tries to present quantum economics as an emergent model that bids a more nuanced and potent framework for comprehending financial systems. By depicting the doctrines of quantum mechanics—not as a straight core-scientific depiction but as a vigorous calculated and conceptual apparatus—this arena substitutes deterministic certainty with probabilistic possibility, insulated ingredients with entwined systems, and objective observation with context-dependent quantification. This article reviews the latitude of quantum economics, from its conjectural nitty-gritties in superposition and entanglement to its practical solicitations in finance, stock markets, behavioral economics, banking, and game theory. It critically scrutinizes the insightful organisational, computational, and formal encounters that encumber its conventional recognition and acceptance, including hardware limits in the NISQ (Noisy Intermediate-Scale Quantum) era and prospective academic apprehension. Lastly, it searches the forthcoming arc of the discipline, stressing its impending conjunction with AI, its part in safeguarding digital assets, and its promise for modelling multifaceted socio-ecological schemes and systems. The article contends that quantum economics, although still in its burgeoning junctures, signifies a dynamic and vital transformative shift from a systematic to a probabilistic and relational considerations of human economic existence..

**Keywords :** Uncertainty, Quantum Entanglement, Decoherence, Quanta of Choice, Crypto currency, gig economy and quantum fluctuations, Quantum Game Theory, Quantum Machine Learning, Quantum Money.

### 1. INTRODUCTION:

For more than two centuries, most economical affairs were forged by the Neo-classical world-view which is based on the 19th-century “age of machines” philosophy — deterministic, automatic, and regulation-driven. It undertakes impeccably rational policy-makers and flawless market-forces, but 21<sup>st</sup> century’s unpredictable, interconnected world retains demonstrating those designs too neat for authenticity and reality. Unexpected Events like the 2008 financial crisis (or Corona Crisis), the unpredictable undercurrents of crypto-currency markets, and the cascading let-downs in worldwide supply-chains have revealed a global categorized by fundamental uncertainty, non-local correlations, and developing phenomena that classical models struggle to contain (Orrell, 2020). In view of this predicament, a novel and fundamental methodology and discipline needs to be taken shape: Quantum Economics. This likely to emerge discipline would intend the mathematical (and statistical) formalism of quantum mechanics—developed to designate the probabilistic and interconnected (global & local) world of subatomic particles—provides an astonishingly operative apparatus for modelling the

intricacies of economic-financial and social systems (Haven & Khrennikov, 2013). It is surely fundamental to assert that quantum economics does not postulate that the economy is factually a quantum physical system. On the other hand, it contends and claims that phenomena such as market uncertainty, cognitive biases in policy making-decision making, and general risk in financial networks exhibit facets that are better described by quantum principles like superposition, half-life, randomness, probability, entanglement, and the observer effect than by classical mechanics (or systems).

The prime intention of this research paper is to offer a broad overview of the very scope, perspectives, applications and challenges of quantum economics. The paper attempts to explore its conjectural foundations, contrasting its probabilistic methodology with the determinism of neoclassical outlook. It also tries to study its key application areas, including the computational methods it may offer for quantum finance and the innovative insights it may deliver for behavioural economics as well as probabilistic game theory. Subsequently, it commences a critical examination of the noteworthy obstacles—theoretical, computational, and

institutional—that the field must overcome to achieve conventional and orthodox acceptance. Lastly, the article would look toward the prospective dimensions, exploring the potential synergies between quantum economics, (AI) artificial intelligence, (IoT) Internet of Things, Nano-technology and sustainable development through green energy. It contends that quantum economics is not merely a theoretical academic quest but an indispensable progression in economic thought-process, posing a prototype equipped to tackle with the inherent uncertainty and intricacy of our times.

### Theoretical Foundations

The academic principal of quantum economics is based on the rendition of key quantum mechanical principles into the parlance of economic theory and financial thoughts. This interpretation operates on two levels: as a potent metaphor that contests classical assumptions and suppositions, and as a arduous mathematical model that bids new analytical and methodical apparatuses. This part outlines the foundational concepts and thoughts that support a new model of economical thinking.

#### A. Superposition and the Propensity Function

As far as quantum mechanics is considered, a (quantum) particle can exist in a superposition of manifold states concurrently until a measurement or observation with quantification is made, at which point its wave function “collapses” into one definite state. Quantum economics borrows this concept to model uncertainty and human choice, macro or micro. In a classical setting it is assumed to have a fixed set of choices and preferences, characterized by a classical utility function. On the other hand, a quantum economic agent’s inclination can exist in a superposition of conflicting (not necessarily contradictory) states—for example, an investor or financier may be simultaneously in a state of ‘desiring to buy’ and ‘desiring to sell’ a financial commodity.

The said is through a propensity function, a quantum equivalent to the classical probability distribution, characterized by a state vector in a Hilbert space (Haven & Khrennikov, 2013). As we know, the probability of a specific outcome is known by the squared magnitude of its corresponding probability amplitude. This observation intrinsically accommodates interference effects, where diverse potential choices can either support or terminate each other out, giving a mathematical base for cognitive nature like the disjunction effect, where uncertainty about essential conditions stops individuals from making a choice they would make if either position were known to be factual and true (Pothos & Busemeyer, 2009). This interesting probabilistic potentiality stands in glaring contrast to the static, pre-existing predilections and inclinations of economic sphere even in systems like gig economy.

#### B. Entanglement and Economic Networks

Arguably, the most counter-intuitive yet dominant concept taken from quantum mechanics is entanglement, a (quantum) behaviour where two or more particles become connected in such a fashion that their outcomes are tangled, irrespective of the distance keeping them away. In simple words, the act of measuring a property of

one particle instantly affects the properties /states of the other quantum particle/s. In classical economics, entanglement assists as a commanding model for the profoundly interconnected nature/state of modern financial and supply chain networks (Orrell, 2020). Classical models frequently consider economic actors as detached and isolated entities intermingling through commodity values through common currencies. Quantum economics, whereas, may formulate a creditor-debtor relationship, a multifaceted and compound derivative contract, or a strategic commercial association as an entangled setting. A shockwave to one part of this setting—such as a bank failure or share market crash or even a supplier default—is not transferred locally through a linear series of causality but may have instantaneous, non-local though the totality of the system. In this way, financial contagion and systemic risk, where the fiasco of one system can activate a cascading disproportionate breakdown in a financial system.

#### C. The Economic Uncertainty Principle

Edwin Heisenberg, German Quantum Physicist, in his world famous “Uncertainty Principle” claims that it is not possible to concurrently know with impeccable accuracy certain pairs of a particle’s physical states and properties, such as its position (place) and momentum (speed). According to him, this is not because of problem in the existing measuring device; but it’s a by-default setting fixed by the nature itself. Quantum economics offers the same analogue to this principle in economic settings. Like, there may exist a fundamental trade-off between the accuracy with which we can know a corporate firm’s prospective price expectation/s and its forthcoming liquidity position/s (Orrell, 2020). The more an entity obligates to a specific price strategy equivalent to momentum, the more uncertain their ability to react to market shocks becomes analogous to the position, as observed in Heisenberg’s Uncertainty Principle. In quantum economics this analogy will surely challenge the classical assumption of perfect data-information, suggesting that intrinsic, intricate uncertainty is a fundamental feature of the economic setting.

#### Applications in Quantum Finance

The branch of finance, with its dependence on complex modelling and stochastic/random processes, may emerge as one of the most capable application areas for quantum economics, principally through the expansion and advancement of quantum computing. Quantum algorithms may offer the potential for significant speedups over their traditional equivalents for a variety of computationally intensive financial complications and issues.

#### A. Portfolio Optimization

A pivotal assignment in finance and commerce is building an ideal portfolio of chattels and assets that multiply expected returns (through rewards) for a given level of calculated risk. This is a combinatorial evaluation problem that becomes computationally obstinate for classical computers (which is classical binary system) as the number of assets raises. Quantum computing surely offers end number of potential solutions, in this regard. ~~Quantum Annealing, a met heuristic approach~~

applied on specific/dedicated hardware, is very much suitable for finding the minimum of a complex function, which may be mapped to the problems of finding an optimal portfolio (Grant et al., 2021). Both the Variational Quantum Eigensolver (VQE) and the Quantum Approximate Optimization Algorithm (QAOA) are often used on gate-based quantum computers. They, surely, are capable to solve similar problems by more effectively searching through a number of potential solutions (Ortega et al., 2021).

## B. Risk Management

For financial institutions, it's important to accurately measure market risk/s, which is often done thorough metrics like Value-at-Risk (VaR) and Conditional Value-at-Risk (CVaR). In this way, calculating these metrics typically includes Monte Carlo simulations, which are very time-consuming and computationally exorbitant. Quantum Amplitude Estimation (QAE) is a promising quantum computing algorithm that is capable to estimate these risk metrics much quicker than old-fashioned Monte Carlo methods (Woerner & Egger, 2019). This quadratic speedup means that quantum computers could easily analyze risk in real-time for multifaceted and complex portfolios, essentially changing how financial institutions function and discharge their roles.

## C. Derivative Pricing

The valuation of monetary derivatives, especially complex and outlandish options, is another computationally rigorous task that relies heavily on Monte Carlo methods. The payoff system of these instruments is based on multiple underlying assets and follows intricate paths, making analytical solutions unmanageable and unruly. Considering this as well as risk management is considered, QAE and related quantum algorithms may offer a quadratic speedup in assessing these derivatives (Stamatopoulos et al., 2020). By more proficiently modelling the underlying probability distributions of asset prices, quantum algorithms could let for the precise pricing of apparatuses and mechanisms that are presently too multifarious and compound to be controlled steadfastly by classical computers and algorithms.

## Applications in Behavioral and Strategic Economics

Apart from the computational benefits in finance, the conceptual framework of quantum economics may offer deep perceptions into human behaviour and strategic interface, in fields where classical orthodox deterministic models based on perfect non-super position may not work as expected in longer run and for more complex problems of future.

## A. Quantum Cognition and Decision-Making

As we are aware that 'Behavioural Economics' has precisely studied a varied range of cognitive biases that may lead human and societal choices and decisions to diverge and divert methodically from the estimates of classical utility theory in a longer run. Key aspects like 'order effects' and 'violations of the sure thing principle' have not yet clearly proven and understood by well-established classical probability theory. The discipline of quantum cognition uses the mathematical

(statistical) formalism of quantum probability to these cognitive processes (Busemeyer & Bruza, 2012). It theorizes that an individual's opinions and choices exist in a state of superposition (like in Quantum Mechanics), and the very process of posing a query (a measurement) collapses this indeterminate state into a definite solution or verified fact. This would be result of Decoherence in practice. The nature of non-commutative-ness in quantum mathematics indeed accounts for order effects, as the result of a sequence through chronology of observations and measurements totally based on the order in which they are being executed. This particular approach has effectively modelled a range of paradoxical (if not contradictory) conclusions in psychology and behavioral economics, offering a near-perfect mathematical foundation for comprehending individual (and social) irrationality than ad-hoc heuristics (Pothos & Busemeyer, 2009).

## B. Quantum Game Theory

The Game theory, one of the most important concepts of our times, founded by gifted theorists like John von Neumann and Oskar Morgenstern, evaluates strategic interactions between rational entities (players) in a market or other economic spheres. And, as we know, in the Nash equilibrium, no entity can maximize their outcome by changing their strategy only. Yet, even with the (best possible) rational choices, this can very much lead to sub-optimal results for all, as seen in the other Game Theory thought experiments. With this knowledge, Quantum game theory would extend the said classical framework by permitting players to use quantum resources, like, employing strategies and tactics that are in a superposition of classical strategies or entangling their options/choices with those of other players (Piotrowski & Śladowski, 2003). In the quantum variation of the Prisoner's Dilemma (a Game Theory Thought-experiment), players who exist in an entangled state can coordinate their respective moves in a manner that allows them to escape through the sub-optimal Nash equilibrium and attain a mutually advantageous outcome (Eisert, Wilkens, & Lewenstein, 1999).

In a concise way, quantum game theory is an innovative futuristic concept that is based on the strange rules of quantum mechanics to strategic policy making and decision-making in economic affairs. It advises that by giving players access to new "quantum" strategies—like having their choices/options be corollarily linked (entangled) or exist in multiple states at once (superposition)—one can expect a radical change in the field. Although still theoretical, it may provide a powerful new way to envisage solutions and remedies for complex economic problems like trade negotiations, cash-flow, banking, auctions, and corporate competition.

## Institutional and Philosophical Challenges

Besides technical complications and a lack of relevant data, quantum economics is being held a little back, since economic institutions are a bit impervious to transformation and most economists may fundamentally disagree with its fundamental ideas like superposition, quantum entanglement, etc.



## A. Disciplinary Silos and Communication Barriers

Quantum economics would be an integrally interdisciplinary arena, taking expertise in quantum physics, computer science, mathematics and of course, economics. This may create a noteworthy communication barrier. Physicists may not have a thorough comprehension of economic theory, whereas economists may have just cursorily knowledge of quantum mechanics. Forging a community of scholars and researchers who can fluently navigate both fields is a sluggish and challenging. Present academic structures, with their rigid departmental silos and specialized journals, often unwilling to encourage the kind of cross-disciplinary collaborations that is indispensable for the field's development and extension.

## B. Academic Scepticism

One can safely say that the neoclassical paradigm is decisively established in economics education, market outreach and policy-making. Plausibly, quantum economics may encounter skepticism as a budding new approach. Many economists would see it as excessively complex and superfluous. This would cause, potential supporters and academicians to be often dismissed and unentertained, necessitating them to prove its prospective worth. To gain wide acknowledgement, quantum economics must elucidate what classical models and ideas can't. It also needs to show it can predict future economic events more accurately.

## C. The Role of the Observer

Quantum mechanics like quantum mechanics lets us comprehend how observing something changes our perspective about the reality and perception. Quantum economics would surely apply this novel idea to the classical superstructures of 21<sup>st</sup> century economy. Thus, for example, things like a central bank's policy proclamations, an analyst's statement, or even just doing an economic academic survey don't just inertly observe what's already there; they actually influence and effects the economic situation and event. So, the notions of quantum mechanics may produce interferences that actively shape expectations, alter behavior, and "collapse" a field of potentials into a specific outcome (Orrell, 2020). This idea would really challenge economists' neutrality, identifying that our economic theories and thoughts as well as models actually effect the very system they describe, a stark disparity to traditional objectivist economics, and it's mainly relevant with concepts like cryptocurrency, blockchain and tokenization.

## 2. CONCLUSION

Quantum economics, if accepted as an interdisciplinary branch coming from the quantum mechanics and economics, will surely be emerged from a place of necessity. It surely will be forged from the recognition that the mechanical and manual universe of classical orthodox economics is a derisory description of our multifaceted, indeterminate, and deeply interrelated world. This emerging branch, indeed, has a potential not just to formulate set of new tools, but a fundamental shift in perspective: from deterministic prediction to probabilistic prediction. This radical change will make a shift from

rational individuals to context-dependent agencies, and from linear causality to the predicament of systemic entanglement, in the fields like economics and finance. One may assert that this paradigm provides powerful theoretical frameworks for understanding behavioural irregularities and strategic assistance, as well as holding computational promise for solving some of the most challenging problems in economics.

Nevertheless, the route frontward is not without noteworthy obstacles and challenges. The field must circumnavigate the demanding uncharted terrain between insightful metaphor and rigorous model. For example, it's a challenging task to overcome the massive technical trials of the NISQ (Noisy Intermediate-Scale Quantum) era, and break down the formal and intellectual barriers made by a century of classical orthodox economic thought process. Ultimately, quantum economic models must offer best possible explanations and predictions to the problems which are not fully answered by traditional neoclassical economics.

Despite the hurdles and challenges, the interrogations posed by quantum economics are too significant and imperative to be ignored in today's postmodern unpredictable world. By embracing uncertainty, contextual-predictability, and interconnectedness as fundamental features of economic reality, it challenges us to build more robust and dynamic financial systems, plan more effective policies, and promote and nurture a deeper understanding of individual and collective human behaviour. Quantum economics is more than an academic theoretical exercise; it is a summon and a call to re-imagine the very fundamentals of our economic world, preparing us for the complexities of a forthcoming that is surely uncertain.

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