

Debunking Economics Richard's Blog Jan '07

A lot of time on a plane gives you time to read. Some turn to Jeffery Archer. Others resort to watching in-flight movies. I found something much more interesting. I cannot recommend [Debunking economics](#) by [Steve Keen](#) more highly.

This book shows that the maths on which all the arguments for competitive markets being the most efficient form of supply mechanism are wrong.

It shows that profit maximisation cannot and should not take place at the price economists suggest efficient, or firms will go bust.

It shows that economist's arguments on efficiency only work if the economy is made up of one consumer buying one product, despite which they also have to be clairvoyant.

And it shows that economists know this but most prefer to continue to argue otherwise because, like my friends on the American Right, they're either too dumb to do the maths, or they know that the economics they teach is simply dogma preached as if religion based on not one shred of evidence, but wish to promote the religion rather the truth.

You don't believe me? Read the book. I've known this to be true since my first term as an undergraduate economist when my lecturers tested credibility too far by making it clear that all they taught required me to assume that all market participants had perfect knowledge of everything everyone else was doing. But I've never seen it explained so well.

I'm not, by the way, saying markets don't work. They do. But I am saying the reasons economists give for them working are crap. That's a technical term we in the real world understand. Economists will assume it means something else. Reality is an assumption they suspended a long time ago.

Richard Murphy