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FIVE FUNDAMENTAL ERRORS

The Short Version, by Jay Hanson

(The Long Version is archived at http://dieoff.com/page241.htm)

Any *ONE* fundamental error in neoclassical theory should be sufficient reason to reject conclusions based upon that theory. Here are five fundamental errors in the theory:

#1. A fundamentally incorrect "method": the economist uses "correlation" and "post hoc, ergo propter hoc" (after-the-fact) reasoning, rather than the "scientific method".

#2. A fundamentally inverted worldview: the economist sees the environment as a subsystem of the economy, rather than the other way around. In other words, economists are trained to believe that natural resources come from "markets" rather than the "environment". The corollary is that "man-made capital" can substitute for "natural capital". But the First Law of thermodynamics tells us there is no "creation" -- there is no such thing as "man-made capital". Thus, *ALL* capital is "natural capital", and the economy is 100% dependent on the "environment" for everything.

#3. A fundamentally incorrect view of "money": the economist sees "money" as nothing more than a medium of exchange, rather than as social power -- or "political power". But even the casual observer can see that money is social power because it "empowers" people to buy and do the things they want -- including buying and doing other people: politics.

If employers have the freedom to pay workers less "political power", then they will retain more political power for themselves. Money is, in a word, "coercion", and "economic efficiency" is correctly seen as a political concept designed to conserve social power for those who have it -- to make the politically powerful, even more powerful, and the politically weak, even weaker.

#4. A fundamentally incorrect view of his raison d'etre: the economist sees "Homo economicus" as a "Bayesian utility maximizer", rather than "Homo sapiens" as a "primate". In other words, contemporary economics and econometrics is *WRONG* from the bottom up -- and economists know it. The entire discipline of economics is based on a lie -- and economists know it. Moreover, if human behavior is not the result of mathematical calculation -- and it isn't -- then in principle, economists will *NEVER* get it right.

#5. A fundamentally incorrect view of economic élan vital: the economist sees economic activity as a function of infinite "money creation", rather than a function of finite "energy stocks" and finite "energy flows". In fact, the economy is 100% dependent on available energy -- it always has been, and it always will be. See a synopsis of the current energy situation at http://dieoff.com/synopsis.htm .