

The Desperate Need for a Down-to-Earth Economic Paradigm, Just Don't Call It Heterodox
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Introduction

At the outset of the financial crisis, it became obvious to me that not only was the financial system in deep trouble but the very fundamentals of economic theory as well. The “queen of the social sciences” desperately needed a “Kuhnian” paradigm shift, a fresh approach that worked well not only on academic blackboards but also in the real world, inhabited not by imaginary homo oeconomicus but by flash-and-blood homo sapiens. After all, anachronistic economists, too numerous to mention, were the ones who guided the economy into the meltdown of the financial system using deleterious neoliberal policies (Komlos, 2024).

The amount of hubris among the leaders of the profession during the run-up to the Meltdown was also disconcerting. None less than Nobel-Prize-winning macroeconomist Robert Lucas, for instance, declared proudly in his 2003 presidential address to the American Economic Association that the “central problem of depression-prevention has been solved, for all practical purposes” (Lucas, 2003). Shortly thereafter, prominent Princeton economist Ben Bernanke, then member of the Federal Reserve’s Board of Governors and chair of Bush Jr.’s Council of Economic Advisors, and soon-to-be Greenspan’s successor as chairman of the Federal Reserve, declared with similar arrogance, that the era of “Great Moderation,” had arrived with “a substantial decline in macroeconomic volatility” (Bernanke, 2004).¹ Bernanke also predicted that the subprime mortgage problem will not “drive the economy too far from its full employment path”.² Yet, two years later the country was facing the most significant recession since the Great

¹ Helpful comments from Thomas Lambert and greatly appreciated without implicating him in the possible omissions or commissions.

Depression while official unemployment rate reached 10%, and the actual unemployment rate was closer to 17%.³ How widespread hubris was is also attested by the assertion of the chief economist at the International Monetary Fund literally minutes before the bankruptcy of Lehman Brothers that “The state of macroeconomics is good” (Blanchard, 2008).⁴ These pronouncements suggested that recessions, let alone a major crisis not seen since 1929, were no longer a threat due to a sophisticated financial system such as that of the U.S. Asset bubbles were not part of conventional economists short-sighted rendering of macroeconomics. The problem was not merely the failure to predict the crisis. “More important was the profession’s blindness to the very possibility of catastrophic failures in a market economy” (Krugman, 2009).

Although I’ve been sceptical of the anachronists dogma much of my academic career (Komlos, forthcoming), the Meltdown gave me the impetus to begin writing a textbook in order to identify mistakes in the dominant dogma in order to give students an alternative, a more realistic perspective on the economic system. It seemed astonishing to me that so many people could be so wrong for such an extended period.

Moreover, the problem was not only the implosion of finance. Anyone with a little common sense could sense the widespread dissatisfaction with the economy, given the unequitable distribution of income and wealth, even though the average values of the bellwether indicators were good before the crisis. It was plain to see that the economy was producing a lot of goods and services but that was a misleading indicator of the quality of life. Moreover, the U.S. ranked well below all aspects of life that correlated positively with the quality of life compared to those achieved in peer countries and especially so in the realm of healthcare and educational attainment. Yet, anachronistic economists and policy makers refused to see this large discrepancy. For instance, Martin Feldstein, a doyen of conservative economists, declared at the

annual meeting of the American Economic Association that “Fortunately, the U.S. economy is now in very good shape. We are essentially at full employment with the overall unemployment rate at 5%“ (Feldstein, 2016). The economy might have been in good shape but he failed to recognize that a large number of people in the economy were in bad shape and sufficiently frustrated with the system to elect a fraudster who promised to drain the swamp in Washington, D.C., and along with it those economists who disregarded the suffering of the multitude.

Historical Mistakes of Anachronistic Economics or Why a New Paradigm is Urgently Needed

So, I started writing. It was not at all difficult to see where the discipline went astray. Theirs were not minor slip-ups, rather they added up to a blunder of historical proportions. Any new paradigm in economics will have to rectify them to begin with:

- 1) The anachronists’ canon is based on deductive logic starting out with grandiose assumptions. While they consider this rigorous, such methodology fails to adhere to the scientific method which should begin with observation, empirical evidence that enables researchers to note regularities that form the basis of our understanding. Thus, the new paradigm in economics has to be based on inductive logic. We must collect evidence on how people and markets actually behave and infer regularities from those observations. The inferences have to be refutable. This is what distinguishes science from pseudoscience (Popper, 1934). Assumptions, by definition, are not open to refutation. Thus, the new paradigm has to be built on inductive logic and eschew assumptions in favor of evidence.
- 2) A huge mistake in the anachronists’ canon is the assumption is that people are super rational, although such a generalization cannot be found in any psychology textbook. The

assumption disregards insights about the unconscious mind that have been known for longer than a century (Freud, 1915). It also disregards both classical and operant conditioning, an insight into the human mind that is also more than a century old (Pavlov, 1927). Hence, conventional economics is not only pre-Freudian but it is also pre-Pavlovian; thus, the moniker anachronistic is warranted. Besides, Herbert Simon proposed the concept of bounded rationality fifty years ago (1955), not to speak of the more recent refutations of rationality by Daniel Kahneman and Amos Tversky (1971, 1974), but their work has made negligible impact on the anachronists' canon. The new paradigm must begin with behavioral economics.

- 3) The dominant assumption that people maximize utility and firms maximize profits is also anachronistic insofar as Simon showed convincingly a long time ago that that is well beyond the ability of mortals constrained by cognitive limitations, information availability, time constraint, search costs, and a myriad of other factors. Simon demonstrated that the optimal is unattainable and instead individuals have to settle for a good-enough solution (1947). He suggested that satisficing is a superior description of the way humans behave. Hence, the new paradigm must discard utility and profit maximization and substitute satisficing for it.
- 4) The anachronists blunder in assuming that tastes are exogenous, implying effectively that individuals enter the economy as adults, with tastes fully formed (Bernays, 1947). This oversight has huge implications for the discipline and society because it ignores completely a critical stage of life during which market processes have an immense influence on the development of people's character, worldview, aspirations, educational attainment, soft skills, and every other human attribute important to flourishing. Since

everyone enters the market economy early in life, Madison Avenue, Hollywood, and Silicon Valley have ample time to influence the formation of their taste and character in such a way that they conform to corporate interests. This forms the basis of the manipulation of demand until instant gratification became part of the dominant commercial culture at the expense of the quality of life (Komlos, 2023a). Early life circumstances make it extremely difficult for children to acquire soft skills like self-control, ability to delay gratification, develop a healthy work ethic, punctuality—that are crucial attributes for success in a highly competitive labor market (Heckman and Kautz, 2012). Thus, the neglect of the influence of markets on children’s taste and character is an unforgiving deficiency of anachronists’ theorizing. They argue for consumer sovereignty but with endogenous tastes it becomes unattainable and instead becomes a treadmill economy. The new economic paradigm has to include endogenous taste formation.

- 5) Yet another error is to assume that an individual’s utility function is independent of the utility function of other members of the society (Bowles, 1998; Frank, 1985).⁵ In fact, there is no society in anachronists’ theory based on methodological individualism, implying that an isolated individual can represent everyone in the society. Thus, they willfully disregard the obvious fact that utility functions are interdependent, i.e., relative incomes matter, and they matter a lot (Duesenberry, 1949).⁶ This line of reasoning also implies that growing the economy is hardly a prescription for improving the quality of life unless the distribution of income is improved and unless the additional income is spent on improving the quality of life instead of conspicuous consumption. The new paradigm has to acknowledge that utility functions are interdependent.

- 6) The anachronists disregard not only the principles of psychology, but also those of sociology, and political science (Polanyi, 1944; Veblen, 1899). Actually, they do not even acknowledge that there is a society even in macroeconomics. Yet, the social sciences are a seamless web: all truths are linked. Truth in sister disciplines must be valid in economics as well. Classical economists (Smith, Ricardo, Mill, Marx) knew that economic and political analysis was inseparable. By ignoring social interactions and cultural norms, anachronistic economics overlooks a crucial determinant of market outcomes. Society's value system influences people's aspirations, constrains choices, and channels actions throughout the life course. The new paradigm must acknowledge the truths of all social science disciplines.
- 7) The anachronists aim to minimize the role of government in the economy, disregarding its important role in creating institutions that provide rules for how markets work (Robinson, 1933). It also provides oversight in order to maintain the stability of markets. Instead, deregulation has been on the agenda of the proponents of neoliberal ideologies disregarding warnings that lax regulation and oversight can become disastrous, especially in finance (Minsky, 1986). The warning was unheeded and culminated in the disaster of 2008 (Shiller 2000).⁷ The new paradigm has to accentuate safety-first principles that only the government can provide.
- 8) Power to influences market processes is disregarded in anachronists canon although it plays an important role in shaping institutions, influencing legislation, swaying cultural norms, and establishing a dominant ideology so as to not only maintain the status quo social hierarchy but also to tilt the playing field even more in the direction of those who already possess power (Bourdieu, 1984; Drutman, 2015). Thus, the concentration of

power forces those with less financial resources to participate in markets on unequal terms. Insofar as wealth and income translate directly into economic as well as political power; ignoring their distribution creates a vast gap between the workings of real markets and imaginary ones. As the Nobel Prize-winning economist Kenneth Arrow observed, “economic power can be translated into political power by channels too obvious for mention. In a capitalist society, economic power is very unequally distributed...” (Arrow, 1978, p. 479). The new paradigm must emphasize the need for an equitable distribution of income and wealth in order to avoid the concentration of power (Komlos, 2023b).

- 9) The anachronists deny the deep-rooted human need for fairness and our innate sense of it, an inherent belief that some actions are morally just while others fail to conform to the ethical norms of society. The anachronists disregard of the moral dimension of economics stealthily supports the status quo (Rothwell, 2019). Righteousness will not flow like a mighty stream⁸ as long as our minds are trapped in the Arrow-Debreu world of general equilibrium, which is eloquent on academic blackboards but is harmful in the way it excludes those groups who were disadvantaged from birth because they were denied access to adequate education in the real-existing economy. The new economic paradigm must incorporate the goal of creating an economy that is not only inclusive but also just (Rawls 1971). That also implies that the new paradigm must incorporate philosophical concepts of what is a good life, ethics, morality, how to promote a thriving society, what are the rights and obligations of the individual in the economy (Sandel 2020).
- 10) In its dominant model, which more than a million students learn annually in the U.S. alone, the anachronists assume that information is freely available to everyone, whereas

imperfect information is ubiquitous. They incomprehensibly overlook that markets with incomplete or asymmetric information are inefficient (Greenwald and Stiglitz, 1986). Obviously, the acquisition of credible information is crucial in making satisfactory economic decisions. This poses a formidable constraint especially for poor people, since obtaining reliable information is a larger share of their income than for those with ample resources. Consequently, disregarding the cost of acquiring information makes it appear as though the poor are better off than they really are, because they have to spend part of their income (and time) on something that is assumed to be free. Yet another aspect of this problem is that, with the prevalence of imperfect information, individuals frequently need to make decisions based on judgement, rather than on logical reasoning. Yet, judgement does not exist in anachronists' vocabulary. Imperfect information must be an integral part of the new paradigm.

- 11) The anachronists assume that uncertainty in decision-making is manageable, either because the probability distributions are known or because individuals assign subjective probabilities to the different outcomes. Yet, psychological research has demonstrated without any doubt that people struggle understanding probabilities and making decisions under uncertainty. Instead, people rely on heuristics (mental shortcuts) when dealing with probabilities, leading to errors and biases (Kahneman and Tversky, 1979; Kahneman, 2011). Yet, radical uncertainty is an integral part of most major decisions in our daily lives, since most decisions require human judgment: “the important events that animate life are rare and fundamentally unpredictable” (Stiglitz and Guzman, 2021, p. 311). Radical uncertainty, when the probability of future outcomes is unknowable poses a

formidable challenge to rational decision making. The new paradigm must take this cognitive limitation into consideration.

- 12) Anachronists dismiss the incompleteness of the economic system—marked by missing crucial markets—as a mere epiphenomenon. For instance, non-existent intertemporal markets pose a substantial threat to the welfare of generations yet unborn who are obviously unable to influence today’s decision makers. Moreover, the anachronists relegate negative externalities to an epiphenomenon easily solved with Pigouvian taxes imposed on activities that generate pollution. However, in the absence of ownership rights over the earth’s public goods—such as the atmosphere, the oceans, and ecosystems—combined with the political influence of the polluters, such easy solutions have become virtually unattainable. Consequently, pollution and global warming have become an immense threat to our civilization as we have come to know it (Coyle, 2011).
- 13) Anachronistic economics puts excessive emphasis on the perfectly competitive model although such markets structures are a rarity in today’s real-existing economy dominated by gigantic multinational oligopolies, monopolies, and monopsonists wielding enormous market and political power to their advantage and to the detriment of the public good (Lazonick, 2016). These firms use their power to lower wages and increase prices thereby generating superprofits. Corporate after-tax income in 2019 was 9.7% of GDP; by 2024 it was 11.5%; the increase of 1.8% meant a windfall profit of some \$530 billion.⁹ The high prices charged by firms with market power hurt poor people the most because the excess burden is a larger share of their income. Moreover, the gigantic multinationals also hurt the public by opposing unions, lobbying against increasing the minimum wage, and advocating for a culture of instant gratification and a spendthrift lifestyle (Drutman,

2015). Furthermore, the superprofits earned by megacorporations are used to propagate the ideology that supports a technocratic meritocracy that justifies the distribution of income by arguing that people deserve what they earn. The new paradigm must focus on oligopolies, monopolies, and monopsonists and relegate the perfectly competitive model to an epiphenomenon.

14) Many crucial concepts are absent from the anachronists' vocabulary, preventing the development of a holistic discipline capable of offering insights into important real-life phenomena integral to economic processes such as the deaths of despair (Case and Deaton, 2020), the rise of right-wing populism (Komlos, 2017, 2019) or the emergence of a plutocracy (Gerstle, 2022; Page and Gilens, 2024). They deny the existence of basic needs to sustain life. Consequently, the discipline tolerates the reality that scores of millions are deprived of adequate food, shelter, clothing, clean water, education, or health care (Banks et al., 2006; Darity and Hamilton 2012). Emotions, such as stress, are completely missing (Komlos, 2022). The sensation of pain is also omitted. Utility can decrease, to be sure, but it cannot extend into negative territory as it does in prospect theory (Kahneman and Tversky. 1979). Similarly, the notion of exploitation does not exist in the anachronists' vocabulary although, with asymmetric information and asymmetric power relations it is a real problem in the absence of countervailing power, especially in the labor market, in finance, and in many other transactions (Formisano, 2015, Pigou, 1932, p. 20).¹⁰ According to Nobel-Prize winning economist Joseph Stiglitz, "Free and unfettered markets are more about the right to exploit than the right to choose" (2024, p. 10). The new paradigm needs to incorporate these missing concepts and linkages.

15) By remaining neutral about the distribution of income and wealth, anachronists support the established power structure and privilege that constrains the opportunities and capabilities of those born at or near the bottom of the socio-economic hierarchy. This is particularly problematic for minorities insofar as the discrepancy in their economic status is a cancer on the body politic. The Aspen Institute defines a racially equitable society as one in which “the distribution of society’s benefits and burdens would not be skewed by race.... Racial equity would be a reality in which a person is no more or less likely to experience society’s benefits or burdens just because of the color of their skin.”¹¹ In short, in a post-racist society economic outcomes would be comparable along racial lines including incomes, wealth, educational attainment, health, life expectancy, or unemployment. Hence, the new paradigm must focus on the distribution of economic benefits.

16) De jure equal opportunity suffices for the anachronists but that is no consolation in an economic system in which the skewed distribution of income deprives those who were born on the wrong side of the tracks from having the same actual opportunity to thrive as the lucky babies born into wealthy families. Legal equality of opportunity is essential but insufficient for a just society; a truly thriving society requires *de facto* equality of opportunity (Hamilton, 2020; Bowles, 2016). The new paradigm has to incorporate de facto equal opportunity as a fundamental pillar of its framework.

17) The anachronists’ dominant decision-making model treats decisions as isolated one-time events, disregarding the impact of prior decisions on present ones. This is the case, for instance, in framing the derivation of the indifference curve: prior consumption is disregarded (Komlos, 2014). But this is hardly realistic since time only moves in one

direction and most decisions such as the adoption of new technologies, the creation of institutions, becoming a lawyer, purchasing a house, are not single events but evolve through series of sequential irreversible decisions. Thus, the decisions we make today are influenced not only by current objective conditions but also by irreversible decisions made previously without knowing what the circumstances today would be like (Arthur, 1989, 1994). Hence, prior decisions act as a constraint on today's decisions.

Consequently, our investment, production, and consumption decisions may not be efficient because of limitations imposed by earlier decisions. Earlier choices may lock one into an inferior developmental path such that the optimal technology, the optimal institutions, optimal employment, optimal consumption bundle, or optimal investments are unattainable.

According to the orthodoxy, competition ensures that the best firms will prevail and therefore the economic system will reach an optimum. Inferior technologies are supposed to become unprofitable and lose to the competition. However, this theory overlooks the complex, uncertain, and sequential nature of development in real time with imperfect information and without perfect foresight. Technological change— all change —is an evolutionary process; hence, a static single-decision model is unrealistic; the future offshoots of the initial technology are not yet evident when initial crucial decisions are made. However, once these are made, they constrain future decisions in such a way that the optimal becomes unattainable (David, 1985, 2001). Path-dependence must become clearly integrated into the new paradigm.

18) Anachronists assume that people discount the future because it is less important than the present. Rational choice requires that people use exponential discounting to assess the

value of future utility because it is time consistent: the discount rate is constant regardless of the length of time involved (Frederick et al., 2002). However, exponential discounting is falsified by experimental evidence: the rate of discount declines over time. Instead, people use hyperbolic discounting and thus have time-inconsistent preferences (Ainslie, 1975; Strotz, 1955; Thaler, 1981). However, anachronists refuse to acknowledge this important truth. Hyperbolic discounting must be integrated into the new paradigm's methodology.

19) The anachronists belittle the challenges posed by opportunists who deceive their counterparties. Yet, laissez-faire markets open up a myriad of possibilities for those without scruples to take advantage of consumers and investors in an immoral and deceptive manner. In free markets consumers are more exposed to the vagaries of scams, predatory advertisements, and dubious business practices of opportunists. "Among the worst villains... are rich pharma companies that exploited the despair in an economy and a society that was no longer serving the majority, and enriched themselves by promoting addiction and death" by their marketing techniques for opioids (Deaton, 2023, p. 212). The new paradigm must limit the opportunities for unscrupulous actors.

20) The anachronists assumes that the goal of the economy is to increase GDP whereas the goal should be to improve the quality of life, to improve human flourishing, to increase financial and physical security, to lower anxiety and stress. Building a black-swan robust society should also be a priority, ensuring greater resilience against high-impact, low-probability events such as the Covid-19 pandemic. The new paradigm should prioritize building a thriving society and not growing the economy.

21) The new paradigm has to eschew obfuscation. It should not have deceptive statements such as we find in Mankiw's Ten Principles of Economics: "Trade can make everyone better off" insofar as international trade is never Pareto optimal (Mankiw, 2018, p. 8).¹²

Conclusion: Humanistic Economics Would be a Good New Paradigm to Begin With

The above considerations established that the anachronists economic canon contradicts standard scientific practice for a multitude of reasons: it starts with arbitrary assumptions that have been decisively refuted by experimental evidence; it inexplicably disregards the research findings of sister disciplines; it overlooks or belittles an array of important aspects of the real-existing economy like transaction costs, power imbalances, and the innate desire for fairness, and it relegates imperfect information to an epiphenomenon. Additionally, it is replete with covert value judgments that do not assign sufficient urgency to equity, sustainability, or the welfare of future generations. The flaws are simply too numerous to mention. Hence, the canon is biased in favor of the laissez-faire market even if it makes no sense to do so. The whole current anachronistic economics discipline is constructed on false premises and on imaginary "Alice-in-Wonderland" markets.

This is not an isolated academic issue. Bad theoretical economics had immense consequences on the social, political, and even demographic developments. Anachronistic economics was translated into neoliberal policies that created an oligarchy on the one hand, and as a reaction to it, a right-wing populist movement sufficiently dissatisfied with the rule of the plutocrats to destabilize the political system. It was the anachronists who pitilessly subjected the working class to the tsunami of globalization that turned them against the elites, thereby contributing to the fraying of the social contract, the invisible glue that keeps a society together. It was the

anachronists who advocated deregulation of finance until the system imploded, inflicting suffering on the multitude. In short, the anachronists are responsible for the demise of democracy. It is a great irony that those who championed freedom the most, like Milton Friedman, Friedrich Hayek, Martin Feldstein, Alan Greenspan, Glen Hubbard, Arthur Laffer, Gregory Mankiw, and Thomas Sowell, promoted economic policies that ultimately destroyed the political system based on the separation of powers (Komlos, 2016).

In conclusion, it should be obvious that a paradigm shift in economic theory is desperately needed and a good place to begin the analysis would be a humanistic approach, meaning that the new mainstream must concentrate on creating an economic system that is inclusive, enhances human dignity, and promotes mass flourishing.¹³ The new paradigm must negate the 21 mistakes of the anachronists. It should want to maximize the quality of life rather than inanimate abstract concepts such as GDP. How do people feel in the economy should become the bellwether indicator of economic performance rather than average income. Humanism means that the goal should be to increase life satisfaction for everyone instead of growing the economy, because there are better ways to measure well-being than in monetary terms. The economy should work for everyone, and not only for the select few. This can be accomplished only if we discard the mistakes listed above and instead of analyzing imaginary markets, we base our theories on evidence gleaned from the real world.

The goal should not be to squash markets but to tame them so that we control them rather than the other way around. This capitalism with a human face should enable people to live their daily lives with less uncertainty, less manipulation, less stress, less deception, less conflict, and less fear that their lives could spiral out of control at the next cyclical downturn or the next bout with a medical emergency. Such an economy is not utopian. It has been achieved to a considerable

degree in Switzerland, in the Nordic countries, and is quite similar to the social-market economic model of Germany and Austria. These countries demonstrated how to improve human flourishing, so they can provide guidance.

We also need to pay attention to the minimization of pain and anxiety, and provisioning of universal healthcare, universal and equal educational opportunities from kindergarten through college, a widespread safety net, the elimination of poverty, and protect the development of children's unconscious from business influence. Those are the fundamental ingredients of a thriving society. Another principle of humanistic economics is to prioritize satisfying everyone's basic needs. The new paradigm must acknowledge that people cannot flourish in a stressful, insecure socio-economic environment. A meaningful life should not be defined by the dollar value of consumption. Human beings are more than economic agents—they seek to live in a fair and just economy. Humanistic economics deserves to be considered the new paradigm for organizing our economic thinking. Just don't call it heterodox—we need a more compelling moniker to promote the new paradigm to replace outdated economic thinking.¹⁴

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Endnotes

¹ Disregarding his utter failure to recognise the potential instability of the financial system as late as 2008, he was soon honored not only by being elected as president of the American Economic Association but also received the Nobel Prize. The Nobel-Prize Committee justified it by stating that “Bernanke demonstrated how failing banks played a decisive role in the global depression of the 1930s. Bernanke’s research shows that bank crises can potentially have catastrophic consequences. This insight illustrates the importance of well-functioning bank regulation.” That this was well-known to every economist before Bernanke was even born did not seem to matter to the Committee.

² YouTube Video, “Bernanke was Wrong.” www.youtube.com/watch?v=INmqvibv4UU&t=2s.

³ St. Louis Fed, series UNRATE and U6RATE.

⁴ Inexplicably, he retained this opinion in the published version of the paper after the failure of macroeconomic policies became evident (Blanchard 2009).

⁵ “How selfish . . . man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it” (Smith, 1759, I.I.1).

⁶ Relative deprivation is a comparable threat to social order as absolute poverty is.

⁷ “More than 30 years of deregulation and reliance on self-regulation by financial institutions, championed by former Federal Reserve chairman Alan Greenspan and others, supported by successive administrations and Congresses, and actively pushed by the powerful financial industry at every turn, had stripped away key safeguards, which could have helped avoid catastrophe.” The Financial Crisis Inquiry Commission, 2011, p. xviii).

⁸ Paraphrasing Martin Luther King Jr.’s from his letter from the Birmingham Jail.

⁹ St. Louis Fed. Fred, series CP and GDP.

¹⁰ “Exploitation enriches the exploiter at the expense of the exploited” (Stiglitz, 2024, p. 11).

¹¹ <https://www.aspeninstitute.org/blog-posts/structural-racism-definition/>.

¹² Mankiw’s formulation is a clever sleight-of-hand, because students undoubtedly get the impression that everyone *does benefit*. However, this is blatantly false, since it is well

known that in practice trade never makes everyone better off. By ignoring the losers—a familiar principle of international trade (Stolper and Samuelson, 1941), he duped tens of millions of students. Another of his dooseys is the statement that “Rational people think at the margin”. Students are again unlikely to understand that this does not claim that people are rational or that people do think at the margin. Instead, the statement states merely that if there is anyone who is rational, he/she would think at the marginal. However, this could well be a null set since homo sapiens are not rational. People often make heuristic-based decisions, people satisfice, and humans are subject to emotional and cognitive biases. However, the statement does not imply that anyone is really thinking at the margin, although a cursory reading would suggest as much.

¹³ "Flourishing can be understood as a state of living in which all aspects of a person's life are good, including... happiness and life satisfaction, physical and mental health, meaning and purpose, character and virtue, and close social relationships" (VanerWeele, 2017).

¹⁴ Clarence Ayres in 1936 was the first to use the moniker heterodox to refer to economic approaches that diverge from mainstream economics. On the history of heterodox economics see Lee (2009).

In any way our feedback, comments, suggestions, critiques would be greatly appreciated. You can write to John by clicking here.
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