

On the irrationality of economics - and that Nobel priz...

Published: January 14, 2026, 8:28 pm

I [loved this comment from my friend and co-author Howard Reed on the blog this morning](#):

As someone who thinks that the financial industry is maybe 95% composed of con-men and hustlers, the EMH has a certain appeal, as it implies that the active fund managers are charlatans; no-one can consistently beat the market.

But on the other hand, it also implies that anyone investing in an actively managed fund is completely irrational (assuming their goal is income maximisation) because they could achieve just as good an expected gross return on their investment with lower costs (and therefore higher net returns) if they were to move their funds from active management to an index tracker.

But, if huge proportions of investors are irrational, there's no reason for the Efficient Market Hypothesis (which relies on rational investors) to hold. And therefore the whole theory is built on a paradox — and hence unreliable.

Such is the irrationality of economics, if only it realised. Howard does.