

Funding the Future

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I have long had high regard for US economist Dean Baker of the Center for Economic and Policy Research in the USA. Today [he's got an article in the Guardian](#) that begins with this:

Suppose our fire department was staffed with out-of-shape incompetents who didn't know how to handle a firehose. That would be really bad news, but it wouldn't be obvious most of the time because we don't often see major fires. The fire department's inadequacy would become apparent only when a major fire hit, and we were left with a vast amount of unnecessary death and destruction. This is essentially the story of modern economics.

The problem is not that modern economics lacks the tools needed to understand the economy. Just as with firefighting, the basics have been well known for a long time. The problem is with the behavior and the incentive structure of the practitioners. There is overwhelming pressure to produce work that supports the status quo (for example, redistributing to the rich), that doesn't question authority, and that is needlessly complex.

The result is a discipline in which much of the work is of little use, except to legitimate the existing power structure.

I suggest you read the rest. He's spot on in his analysis. What he's essentially saying are three things.

First, economists operate as a herd and if you're not in the herd you're defined to be wrong.

Second, economists add false complexity to shield inadequacy of their arguments which simple statistics can reveal (a trend apparent in comments on this blog over the last few days where it has been suggested that I can't do stats because I simply divided one number by another and because eight year olds can do that the answer has got to be wrong).

And third, all this is done to hide the total subjectivity of the profession as it is at

present, which is very largely dedicated to the preservation of the economic and political status quo.

There are good economists in the world. The sad fact is that most of them aren't working in university economics departments because there's no place for them there. No wonder we're in an economic mess.