

Steve Keen's dead parrot

Published: January 13, 2026, 9:59 am

This is from the [104th](#)

[real-world economics review](#), issue no. [104](#)

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The Dead Parrot of Mainstream Economics

Steve Keen

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The legendary English comedy show [Monty Python](#) had a famous sketch about the disgruntled customer of a pet shop, who realised [he had been sold a dead Parrot](#). The shopkeeper steadfastly refused to admit that the Parrot was dead:

CUSTOMER: I wish to complain about this parrot what I purchased not half an hour ago from this very boutique.

SHOPKEEPER: Oh yes, the, uh, the Norwegian Blue ... What's, uh ... What's wrong with it?

CUSTOMER: I'll tell you what's wrong with it, my lad. 'E's dead, that's what's wrong with it!

SHOPKEEPER: No, no, 'e's uh, ... he's resting.

CUSTOMER: Look, my lad, I know a dead parrot when I see one, and I'm looking at one right now.

SHOPKEEPER: No no, he's not dead, he's, he's restin'! ...



This sketch came to mind for me when I was alerted to a blog post by [Gregory Mankiw](#), the author of one of the world's most popular economics textbooks. Mankiw's post showed that Monty Python's fictional shopkeeper is an amateur, compared to economists, when it comes to pretending that something which is dead is actually alive and well.

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The Dead Parrot in question is the "Money Multiplier": the theory that banks create money by lending out reserves. It's also called "Fractional Reserve Banking". *And it's also a myth*: worse than merely being dead, it has in fact never existed, except as a fairy story that one generation of economists passes down to another.

Steve is right, of course.

The whole article is [available, free of charge, here](#). It includes a good MMT explanation of money creation using Minsky, which because of other work I still have to get to in a serious way.