

Theoclassical economics

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During a day when I spent rather more time in bed and even asleep, feeling ill, than I did paying much attention to anything to do with economics, I much enjoyed this quote in the latest edition of Stephanie Kelton's Substack column, [called 'The Lens'](#), where she was addressing the folly of seeking inflation at a fixed percentage rate:

Meanwhile, Fed officials are searching for the elusive—and I'd say ridiculous— r^ , which is supposed to be the long-run “neutral” rate of interest. The notion that there is an invisible and unknowable interest rate that neither juices nor dampens economic activity is the kind of thing that only passes the laugh test in the world of theoclassical economics (a wonderful term coined by my former colleague, [William K. Black](#)). Yet mainstream economists [embrace](#) concepts like this with religious fervor.*

Two things stood out.

First is how right Stephanie is to make this observation: there is, glaringly obviously, no such thing as r^* , the existence of which is only known in a neoclassical economics textbook.

The second was the use of the term 'theoclassical', which so accurately describes the fervent belief of the neoclassical economist and their enslaved political acolytes in something that does also not exist.

I suspect I have already related here the story of a former member of the Anglican clergy who I knew well for a while, who had done a PhD on the theological dimensions of the privatisation of the electricity and gas companies, much of which drew on Papal teachings on social justice, as I recall. His observation to me was that when he first began to study neoclassical economics, he felt an enormous sense of relief. For years, he had been asked to defend things that many people thought utterly unbelievable, like the virgin birth. Now, he had discovered a group in society who commanded respect but who nonetheless believed in things vastly more difficult to justify. Theoclassical belief explains that.