

Introduction

The Truth about Economics

Critical Thinking Guide for Students, Parents, Teachers, and Citizens

Praise for “The Truth about Economics”

"High school students who read this book will face a dilemma. On one side they will find it hard afterward to navigate the confusions of textbook economics, and they may incur the impatience, even the wrath, of their teachers. On the other, they will have read a small jewel of clear thinking. And that could serve them well, later in life. May they choose wisely." -- James K. Galbraith, Lloyd Bentsen Jr. Chair in Government and Professor of Government at The University of Texas at Austin

“Students expect course material presented by a professor to be truthful and honest. This book demonstrates that supply and demand curves are completely unfounded, and instead promotes investigation, logic, truth, and the mental practice of questioning political doctrine, all of which are vital for the development of our education systems and society as a whole.” -- Nolan Glubke, Student at St. Edwards University

"A novel approach to economics; it takes it out of the classroom into the boardroom. It challenges traditional thinking on the subject and converts the principles of economics into a useful and practical financial planning guide for one's individual needs through life." -- Joseph Frisz, retired executive.

“Parents today have no idea what is taught in an economics class. The material is not a science at all but instead is a false ideology that leaves our children unprepared for the basic demands of economic life. They should be allowed to take a course on financial literacy and learn how to

prosper. This book explains the problems and recommends where we should go. Join me today and together we can change the system for the benefit of our children.” -- Michael Ryan is a parent and a retired high tech executive turned teacher with a penchant for precision.

Dedication:

This book is dedicated to the industrious students, young or old, who want to know how economic systems truly work.

This book is dedicated to the parents who want their children to learn how to prosper in our demanding and fast changing economic community.

This book is dedicated to those who will join the effort to change our educational system to ensure our children are taught relevant and meaningful economic concepts commonly referred to as financial literacy.

How This Book Came About

Never in my life did I expect to write a book. My initial career path had nothing to do with writing books. Instead, my early career was analytical, finding ways to use technology to solve business problems. My formal training included engineering and finance, with degrees from Texas A&M University and University of California Berkeley. This formal training enabled me to conceptualize and build bridges between technology and economics, making businesses more profitable. It was a rewarding career that allowed me to retire early and pursue avenues to give back to the community. One such avenue was teaching high school as a second career. Most classes I taught were related to mathematics, except for one random assignment to teach an

economics class. Once I stumbled across the pervasive faulty logic that serves as the foundation of economics as taught today, I had to expose it.

As a teacher, I have always needed to explore the material at an exhaustive level in order to properly convey my understanding to a classroom of students with varying degrees of interest and capabilities. One explanation might work for one group of students, while a second might be required for a different group of students. This approach was fostered by my engineering training and is rooted in my innate curiosity about how things work. In the past, my curiosity has driven me to take things apart that probably should have stayed together. The carburetor in my 69 Chevy is a great example of something better left alone.

I approached the curriculum as I had approached the carburetor. The curriculum was disassembled and explored far beyond the intentions of the original manufacturer. To help with the exploration, I joined the online AP Economics Teacher Community as a source for further clarification. Soon, I found economic laws that conflicted with basic rational thought. My engineering mind just kept asking questions, digging deeper and deeper. My technology training demanded the resolution of why, why, why? The explanations from the AP community resources were fraught with circular logic.

At one point, I was told I didn't understand the math. "Them's fighting words". Any self-respecting engineer would not take such a comment lying down. The result is this book, which provides a complete exposure of how and why the theories involving supply and demand curves, originally conceived long ago, are incorrect and inadequate for explaining anything related to modern economics. At best, the theories are academic wall paper, created years ago as

universities sparred for the Crown of Economics within Academia. The theories are now faded and torn, irrelevant, and mysteriously kept in place for some obscure purpose.

This book takes a structured rational approach to explaining the errors of old economic theories and their irrelevance to the economy of today. Readers with the patience and willingness to think critically will be greatly rewarded. They will learn why the old theories should be discarded. They will learn that there are several types of markets, including product markets, labor markets, and security markets. They will learn the six factors that affect the market for products, and the subsequent price one must pay. Later books in the series will delve into factors affecting labor and security markets.

Some of the concepts covered may be unfamiliar to many people. However, everyone can benefit from reading this book. The difference between financial literacy and the out of date economics curriculum is something everyone should understand. Anyone who is taking an economics class, or has a student or friend in an economics class, will discover a treasure of discussions this book creates, revealing financial literacy as the knowledge they need.

During my research, I was often told that economists do not use supply and demand curves in real life. When asked why the topics are still taught, the answer was that students would encounter the material and needed to be familiar with the concepts. The problem with this approach is that the students are never told that supply and demand curves fail to reflect reality. Instead, they are left with the impression that supply and demand curves represent the founding principles of economic science.

A relevant quote:

“This is what economics now does, it tells the young and susceptible (and also the old and vulnerable) that economic life has no content of power or politics because the firm is safely subordinate to the market and the state, and for this reason it is safely at the command of the consumer and citizen. Such an economics is not neutral. It is the influential and invaluable ally of those whose exercise of power depends upon an acquiescent public.” John Kenneth Galbraith (1973)

People often say the system is rigged. Few understand that it starts with our own educational system, shaped and crafted by academia to develop an acquiescent public. Paul Samuelson is beyond any doubt the leading crusader in promoting the ideology to the American public.

“I don’t care who writes a nation’s laws, or crafts its advanced treaties, if I can write its economics textbooks.” Paul Samuelson – Nobel Prize Winner Economics 1970

[Future Generations Will Pay the Price](#)

For the most part, we fail to educate our children about the basics of managing their finances. We fail to teach our children how to prosper. There are several states that have attempted to define a curriculum for financial literacy. Only four, Utah, Tennessee, Missouri and Virginia, have added financial literacy as a requirement for graduation from high school. This situation needs to change. The value to students of understanding credit, investing, leverage, risk, retirement planning/Social Security, and the other many topics presented in a financial literacy class far out-weighs any value associated with old economic theories based upon unproven and unseen curves.

Economics today teaches students what to think.

Financial literacy teaches students how to think.

We need to stop teaching hollow and out dated economic theories that leave students misinformed and unprepared.

Highlights by Chapter:

Chapter 1: How We Gather Knowledge - A review of how society, through science, promotes a concept from idea to knowledge, plus some common pitfalls along the way. Included is a warning about how certain pitfalls can be used to confuse and mislead, hiding true knowledge and leading to ideology.

Chapters 2 and 3. Supply Curve and Demand Curve - A discussion of logical flaws found in the economic laws of supply and demand.

Chapter 4: Market Pricing - An introduction to the six factors that affect the price consumers pay in a product market.

Chapter 5: Economic Card Tricks - Mathematical errors, better described as card tricks, used by economists to justify their theories. Any theory that uses false mathematics as a justification is not scientific, but ideological.

Chapter 6: Economic Smokescreens - How economists purposely hide key concepts, such as profits, thus avoiding any questions about an equitable society.

Chapter 7: Replacing Supply and Demand – With some help from early economists, a better way to view a market for products is revealed.

Chapter 8: Groupthink - How the psychology of groups prevented academia from applying the basic concepts of science to economics. Old theories were rationalized into mythical proportions, freezing any new thought.

Chapter 9: Lessons Better Learned – Financial literacy embodies the knowledge and skills our children must have in order to prosper in our economic world. This chapter reviews those skills, and demonstrates how state governments thwart our children's access to this vital knowledge.

Chapter 10: Improved Vision – Some examples of how financial literacy leads to a better understanding of economics.