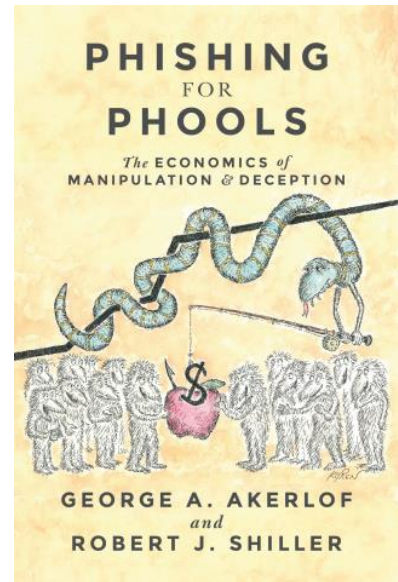


Phishing for Phools:
The Economics of Manipulation & Deception
By George Akerlof and Robert Shiller, 2015

“The Downside of Free Market Capitalism”

Akerlof and Shiller are well known economists, whose deep faith in Capitalism is tempered by the abuses described in this [popular little book](#). They detail how we all end up being taken for fools (and our hard-earned money) by clever and unscrupulous marketers: “most adults still go to bed worried about their bills”. The problem is the absence of good governmental regulation, whether it’s buying a house, car, medicines, or stocks, or succumbing to addictions like gambling. Attempting to be good marketers themselves, they use the computer lingo of “phishing” for how we are lured or baited for “phools”. Yet they mystify when they adopt the economic jargon of “phishing equilibrium”.



You may not realize that the focus on “equilibrium” is typical of the spectacular failure of mainstream economic theory. In fact, the biggest challenge is understanding the “dynamics” – the booms and busts, the chaotic unpredictability, and the evolution of economies. Ironically, phishing techniques play key roles in driving these imbalances, as in the financial crash of 2008. Models that use the mathematics of nonlinearity and complexity (see “Origin of Wealth” by Eric Biehocker) would naturally incorporate the psychology which, Akerlof and Shiller lament, is missed by current theory: “we should be inclusive of whatever thinking, conscious or subconscious, that is the basis for people’s decisions” instead of theory based on the mythical “rational economic man”.

Reviewed by Dr. Dick Burkhart, UJEC Board Member