



## **“The Origin of Wealth” by Eric Beinhocker**

Reviewed by Dick Burkhardt

I’ve long wondered about the rotten state of academic economics. In [this classic work](#) Eric Beinhocker not only shows the origins of this pseudo science (concepts from 19<sup>th</sup> century equilibrium physics misapplied to economics) but how to make it into a real science (using the modern mathematics of nonlinearity, chaos, and algorithms). Beinhocker draws on interdisciplinary work at the Santa Fe Institute to give us an engaging introduction to this new field of “complexity economics”. Fortunately, he writes like a journalist, so you don’t need to know the underlying math.

Early on he illustrates evolutionary algorithms, ones that mimic actual biological evolution, and how they are applied to groups of human-like agents, subject to simple rules for “economic” interaction at each time step. The results quickly evolve behavior that has long eluded the simplistic equations of mainstream economists. In addition, despite his bias toward free market capitalism, Beinhocker produces several cogent criticisms of modern business, such as the dilemma of the ruthless efficiency of hierarchical organizations versus the autonomy needed for innovation. Another example is the damage to the common good that emerges from the “prisoners’ dilemma” effect of unfettered markets and extreme individualism.

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