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“The Fallacy of Incontrovertible Economic Principles”

Purpose: To remind Black Americans (Afrodescendants) about flexibilities that exist in certain fields of scholarship and in life. Specifically, we explore how economic concepts are often first taught and conceived to be rigid principles and rules, but are later found to be somewhat flexible as caveats are introduced that permit exceptions to rules.

Introduction

Not long ago, presumably as a sign of achievement and importance, we conveyed that we had spent nearly one-tenth of our life in South Asia (India). We may have adopted this attitude or position because we wanted to highlight some of our international economic experience. We could have also been unilaterally claiming membership in a group of Black American economists who have benefited from India’s eclectic and unique economic history and environment.

As we prepared to take our second trip to India during the 1990s, we studied Hindi (one of the most widely spoken languages in India—especially in Northern India where we had planned to spend most of our time while in the country). We were told that the language was scientific. That it had hard and fast rules. However, we learned later that there were oh so many exceptions to rules. Thereafter, we discovered the same about the Arabic language. This should have been no surprise: English itself has innumerable “exceptions to rules.”

Consider Exceptions

Over the years, we have come to know that some of the most important aspects/turns of events in life are not ordinary or mundane. Rather, they are often “exceptional” events or outcomes. Important legal victories are often won due to exceptions in laws. As for the economics field, those who study this economic social science come to know that there are many economic principles that are believed to be “incontrovertible.” For example, “Increases in the quantity of goods or services demanded and/or in total demand are associated with price increases” in a competitive market economy.

However, we enjoyed the following experience last fall that enabled a new awakening concerning economics, its principles, and life itself. We complained to our healthcare provider about the price of a laboratory test. She said: “I have no control over the price of lab tests.” We blurted out: “That’s not true! If you order more laboratory test, then the price will likely decrease.” And then we

caught/checked myself thinking: The previous statement controverts the final sentence of the previous paragraph. As a practicing and professional economist for over 40 years, how could such a statement depart our lips? We thought for a moment that we might be suffering from memory loss. By that time, we could hear our healthcare provider saying that she was not informed about how supply and demand worked to generate higher or lower prices for laboratory testing and that she was just a doctor using laboratory results to zero in on patients' conditions to order proper pharmaceutical prescriptions.

The next morning, the just described scenario returned to mind. But a few new considerations came into view. We began to think about the work of an economist colleague who had written a book a few years back concerning the failure of economists when teaching the “dismal science.”ⁱ Also, we thought about the lifetime work of a University of Maryland-College Park professor, who was recognized for his vigilance in voicing that economists' emphasis on the importance of continued and persistent growth is not well founded.ⁱⁱ

Also, we considered the work of our mentors at the George Mason University (GMU), who were, *inter alia*, experts in Public Choice Economics, who argued that offers of more government should be eschewed.ⁱⁱⁱ We remembered the work of Black economists like Dr. David Swinton, who challenged the work of a Nobel Prize Laureate in Economic Sciences, who claimed that racists would mainly discriminate in the marketplace if they had a “taste for discrimination.”^{iv} There is the work of other Black economists, who awakened the nation to the need for disaggregated data to reveal true underlying economic conditions and, potentially, their causes.^v We thought about the work of an entire cadre of Black economists, who have helped build a new and burgeoning economics subfield—Stratification Economics—that provides a formal system for studying economic inequality and its whys and outcomes.

Finally, we recalled two economic contentions:

- That increased Federal Reserve Board interventions (tinkering) or management of the US economy through monetary policy actions appears to increase economic volatility, which defies the view of many neocons who believe that economists have mastered skills required to finetune the economy at will with few ill-effects.^{vi}
- Current methods for measuring productivity for services industries that involve animate (human) *Materials* inputs are likely faulty because humans are properly associated with not two aspects of economic productivity as currently measured, but with three.^{vii}

Suddenly, we realized that for whatever reason our “thoughtless” statement to our healthcare provider the day before was **not “thoughtless” at all**. That, while it may appear to countervail fundamental economic principles, it was well placed for a good reason. The “good reason” caveats include:

- Economists typically list assumptions before issuing statements about economic principles (e.g., the vaunted “*ceteris paribus*” assumption).
- Economists typically explain relevant caveats that apply when issuing statements of economic principles. In this case, physicians' expansion of orders for laboratory analysis (i.e., an increase in the quantity demanded or total demand for laboratory services), could

engender lower future prices if producers of these services view the increases in demand as permanent and respond by expanding capacity. Expanded capacity could enable “economies of scale” conditions that enable lower prices for laboratory services than those prevailing before capacity was expanded.

In other words, “incontrovertible” economic principles may have many associated caveats that often go unstated. This can be especially problematic for economic students, who like students of language, are provided with fundamental principles or rules during early stages of study, and are only informed of the many exceptions at much later points.

Selected other exceptions or caveats to the theoretical “positive relationship/correlation between economic demand and price?”

- The elapsing of time that may permits new developments that should be taken into account.
- Increases in the availability of related factors of production can weaken the theory.
- Substitute products/services can render the theory less rigid.
- Ditto with respect to innovations or technological improvements.
- Regulatory factors in response to environmental changes may produce regulatory reforms that can upset the underpinnings of the theory.

Conclusion

Consistent with “Occam’s Razor,” we often find that that which is parsimonious or pithy carries a hefty impact.^{viii} Rigid rules are often stated parsimoniously. However, parsimony is often highly correlated with incompleteness. In this case, as we proceed through life’s discovery, we should remain aware that there are exceptions to rules. Also, we should take care in confirming what the preceding statement does not convey: i.e., remain aware that there are **always** exceptions to rules. If we retain “always” then an “exception” is not an “exception” at all; it becomes part and parcel of “rules.”

More than anything else, this essay reminds us to be very careful about what, when, where, how, and why we say what we say. This is consistent with becoming increasingly scientific in nature and comprehending more completely our human powers. We should recover our grip on our History that reminds us that our African forefathers invented science.^{ix} The more we leverage our history as scientists and consciously practice scientific methods, the more successful we will become because we will take greater care (be more precise) about what we say and, subsequently, what we choose to do. It is this “care” that can make our lives more and most successful. And if we do not take the time to take care and to “do for self,” then we may end up like many at the end of life saying: “Word(s) brought us here” and, unfortunately, we were not careful enough in choosing our word(s).” Of course, there is a difference between choosing our words and having words placed in our mouths.

A beautiful aspect of the economics social science is that it aims to be scientific. Accordingly, economists have identified many important principles that are often called “rules”—some of which appear to be incontrovertible. Hence, we should never forget about the importance/value of fundamental economic principles and that there may be important/valuable caveats to those

economic principles. This is an important reality whether we serve as “expert” professional economists or teachers of economics, policymakers who leverage economics in deriving public policies, students of economics, or laypersons who use economics when making everyday decisions.

More broadly, if there are few absolutely incontrovertible hard and fast economic principles or rules, then we should recognize that there is room for exceptions in many aspects of our lives. For example, this applies to banks where exceptions creep in when reviewing business plans for loans; to colleges and universities where admission criteria are softened; and to human resource departments where the nature of stated job/work experience requirements are interpreted liberally. Recognizing Black Americans’ (Afrodescendants’) socioeconomic *status quo*, we should be emboldened to increasingly challenge decisions based on immutable/incontrovertible principles, rules, criteria, and guidelines. We should inject caveats that characterize our history and that should be considered during such decisions. If we are successful, then we may enjoy a higher quality of life.

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Endnote

ⁱ Steven Payson (2017). *How Economics Professors Can Stop Failing Us: The Discipline at a Crossroads*. Lexington Books.

ⁱⁱ Professor Herman Daly (1938-2022) was a very strong advocate for a “steady state” economy and argued against a requirement for persistent economic growth on a finite resource planet as, *inter alia*, egregiously injurious to our Earth’s environment.

ⁱⁱⁱ We include the following professors among our mentors and important teachers at GMU: Profs. Walter E. Williams, Charles K. Rowley, Nobel Laureate James M. Buchanan, and David M. Levy.

^{iv} David Swinton (1978). "A Labor Force Competition Model of Racial Discrimination in the Labor Market." *The Review of Black Political Economy*. Vol. 9, No. 1; pp. 5-42.
<https://journals.sagepub.com/doi/abs/10.1007/BF02689534> (Ret. 051426).

^v Rhonda Sharpe (2019). “Disaggregating Data by Race Allows for More Accurate Research.” *Natural Human Behavior*. <https://www.nature.com/articles/s41562-019-0696-1> (Ret. 051426)

^{vi} Generally, economists favor less versus more economic volatility because the former, not the latter, provide better conditions for measuring, planning, and establishing policies that produce economic growth.

^{vii} Brooks Robinson (2025). "Addressing the Negative Multifactor Productivity Conundrum: Elevating Black Americans' Contributions to US Productivity" There is No Full Accounting for Homo Economicus (HE)-Especially Black HE. A BlackEconomics.org Working Paper. <http://dx.doi.org/10.2139/ssrn.5388270> (Ret. 051426).

^{viii} “Occam’s Razor” is a problem-solving principle stating that when faced with competing hypotheses, the simplest explanation—requiring the fewest assumptions—is usually the best. It is attributed to 14th-century philosopher William of Ockham, and it advises cutting away unnecessary, complex assumptions to find the most likely, most testable explanation. This from Google’s LLM AI Bot *Gemini*, which cites Wikipedia. (Ret. 051426).

^{ix} Kemet is a well-recognized name for the lands of ancient Egypt. Google’s LLM AI Bot *Gemini* reports the following concerning “Kemet” and Chemistry—a fundamental science: “‘Kemet’—meaning ‘Black Land’—is believed to be the root of the word ‘chemistry,’ derived from the Greco-Egyptian *khēmeia* (the ‘Black Art’ or Egyptian art). Ancient Egyptians established foundational chemical practices in metallurgy, mummification, and cosmetics long before it was termed science. *Gemini* references a Facebook from the “Know Thyself Institute.” (Ret. 051426).