

**Contradictions in Economic Theory
and The Economic Modelling of The Modern Economy**Hasse Ekstedt¹**Abstract**

In this paper we analyse the problem of projection of the reality into mathematical/logical analysis/modelling. The primary focus is on the neoclassical theory as the most refined economic theory and we scrutinize the axiomatic structure with respect to the underlying conceptualizations. The problem of aggregation in equilibrium and disequilibrium is analysed with particular reference to barter economy, which is underlying the neoclassical approach, and the modern money economy, where money is to be seen as a disequilibrium concept. As a result of the analysis two Theorems are derived, one for the neoclassical barter approach and one for the money economy, which contradicts each other. The discussion of money is enlarged to the current institutional changes on the financial markets from a monetarist reign to a Real Bill approach, which is opposite to the movement during the early 19th century which resulted in Ricardo's Ingot Plan and the Bank Charter Act of 1844 when the monetarist approach more or less was institutionalized. An evident methodological result of our analysis is that the neoclassical thinking cannot be applied to the modern money economy and furthermore that Keynes' analysis (not Keynesian), including his works on probability and philosophy, cannot be moulded into a neoclassical setting, since the two modes of thinking are contradictive in terms.

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