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The Economics of the Stock Market

by
Andrew Smithers

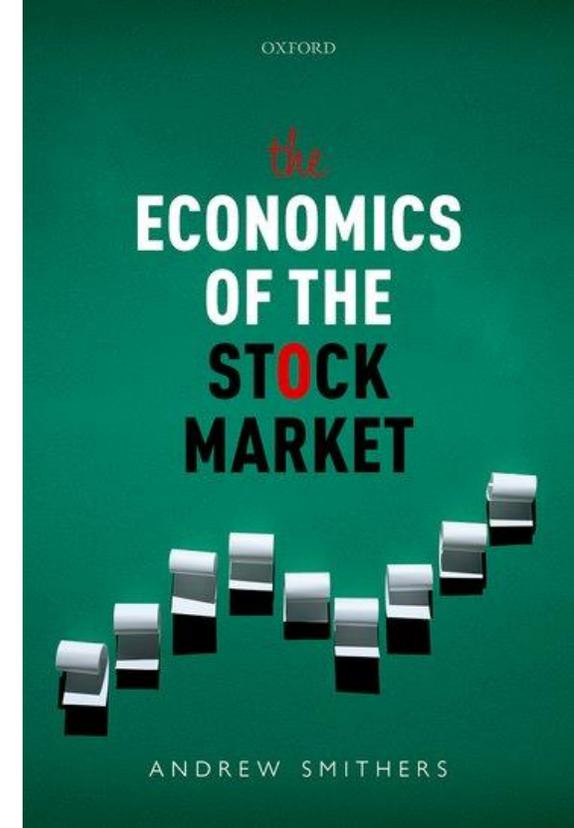
10 March 2022

THIS BOOK

- Incorporates finance into a model for the economy, rectifying the major problem with the neoclassical thesis.
- Explains the economics of the stock market and how it impacts the real economy, and the apparent contradictions in the way financial markets operate.
- Presents a coherent explanation of how the economy and financial markets really work and how the two interact.

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The current consensus model for the economy is invalid, being based on aprioristic assumptions which are shown to be invalid when tested against the data. It assumes that managements and shareholders seek to maximise the present value of their companies' net worth. In fact they respond to the stock market's assessment of their value. By basing economics on actual behaviour, rather than on that usually assumed by economists, the **Stock Market Model** differs sharply from the current consensus. By including finance, it avoids a major weakness in current theory and, being robust when tested against the data, it should be preferred to it.

"This book provides, for me, just the sort of revisionist thinking and intellectual challenge the economics, investment management – and indeed policymaking – communities need." **Andy Haldane** former Chief Economist of the Bank of England.

"Awe-inspiring, encompassing, convention-flouting analysis, hard stick-your-neck out empirical discoveries, and counter-intuitive hypotheses. Endlessly stimulating and intensely useful." **Avner Offer** Chichele Professor Emeritus of Economic History, University of Oxford.

"Smithers shows how finance plays a crucial role in explaining developments in the real economy." **William White** Former Economic Adviser Bank of International Settlements.

Andrew Smithers is the author of multiple textbooks on financial economics including "Valuing Wall Street" and "Productivity and the Bonus Culture". He founded the economics consultancy Smithers & Co [www.smithers.co.uk]

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