

## What is economics?

Published: January 16, 2026, 2:55 am

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A [commentator on my blog](#) concerning Rowan Williams discussion of tax said:

*Interesting that the Archbishop referred to the Greek origins of the word “economics” to proclaim the virtues of “housekeeping”. Presumably the C of E is now officially Thatcherite.*

Not at all. You see Rowan Williams talked about what economics should be — and based his analysis on the Greek word *oikonomia*. The etymology [of economics is this](#):

From [Latin \*oeconomia\*](#) from [Ancient Greek](#)  $\text{οἰκονομία}$  (*oikonomia*, “management of a household, administration”) from  $\text{οἶκος}$  (*oikos*, “house”) +  $\text{νόμος}$  (*nomos*, “law”). The first recorded sense of the word “economy”, found in a work possibly composed in 1440, is “the management of economic affairs”, in this case, of a monastery.

House has a wider definition here than the corner shop in Grantham. Williams, with whose scholarship of Greek I would not wish to argue, made that very clear in his presentation and subsequent comments.

What maybe he should have done is also make clear that *oikonomia* is very different from what economists actually study — which has little or nothing to do with the economy as Williams sees it. Economists now study *chrematistics* [which is](#) the study of wealth or any theory of wealth as measured in money.

Herman E. Daly and John B. Cobb, Jr. in *for the common good: redirecting the economy toward community, the environment, and a sustainable future*, [said](#):

*Aristotle made a very important distinction between  $\text{οἰκονομία}$  ‘**oikonomia**’ and  $\text{χρηματιστική}$  ‘**chrematistics**.’* The former, of course, is the route from which our word  $\text{οἰκονομία}$  ‘economics’ derives. *Chrematistics* is a word that these days is found mainly in unabridged dictionaries. It can be defined as a branch of political economy relating to the manipulation of property and wealth so as to maximize short-term monetary exchange value to the owner. *Oikonomia*, by contrast, is the management of the

household so as to increase its use value to all members of the household over the long run. If we expand the scope of household to include the larger community of the land, of shared values, resources, biomes, institutions, language, and history, then we have a good definition of ‘**economics for community**.’

Williams was referring to the latter.

Thatcher denied that there was society: she only understood chrematistics.

So it's quite safe to say Williams is a very, very long way from Thatcher.

And that most economists are a very long way from any meaningful study of the economy capable of delivering real value.