

Government and politics matter. We need politicians who...

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I [have suggested](#) that it is time for those who oppose the hard and far right of politics to drop their petty battles in order to save society as we know it. I am under no illusions as to the implausibility of my suggestion: the comments that were offered by some yesterday show that there are those who would still prefer to argue about the purity of their version of a vision that has no chance of forming the back bone of an elected administration than face the reality of looming far right rule. But I will persist. That is the way change happens.

And let me be clear, the one thing I am not doing is calling for the perpetuation of the status quo. There is absolutely no prospect of electoral success on that basis, in my opinion. Although many politicians are unwilling to accept the fact, many people do realise that the economic order that existed from 1980 to 2008 has failed. They may not have done so in 2008 but the bizarre consequence of George Osborne's austerity programme has been to put the final nails in its coffin. Pragmatically that has been because the policy did not work. But there is more to it than that: I think people realise that austerity was prescribed as an article of faith and that if the economic system really worked as those proposing austerity thought then we would be well and truly out of the doldrums by now, but we are not. So people are not just facing a pragmatic disenchantment with the policy; they are also realising that the economic thinking that underpins it does not explain the way the world works.

The political consequence of that perception is significant. The Hard and Far Right policies now on offer appear to be a rejection of much of the economics that both got us into the mess of 2008 as well as the failed policies to resolve it. At their core those policies say people should sink or swim, and are indifferent to the consequences. They may ill formed, inconsistent and callous but they are at present the only consistent policy of rejection of neoliberalism on offer barring that provided by Greens, with which few will be familiar. Labour, LibDems, the Tory left and the Scots Nationalists do to large degree still offer largely similar economic prescriptions based on balanced budgets, myopic obsession with government cash flows, an inability to understand the way the real economy works and variation based only on supposed willingness to borrow to fund investment. As I have recounted here many times, these options nay fit

the Overton Window but they come nowhere near meeting the needs of society. And they never will because they are based on two wholly false assumptions.

The first of these false assumptions is that the government is like a household and consequently plays a part like that of any other participant in the economy. This is just wrong. The government is wholly unlike any other participant in the economy. It makes the rules by which the game is played. It creates the money that underpins all transactions. Its debt is not now and has not ever been a problem since it was created in the seventeenth century. Instead its promise to pay that the debt in question represents underpins much of the security of the pensions and banking systems, which would effectively cease to function if that debt was repaid, all of which makes it debt unlike any other. And the government can, of course, unlike the rest of us write laws to back up its own claims to be paid. All of which means that the first pillar on which the new political consensus must be built is that the role of the government in the economy is essential, pivotal and absolutely unavoidable. But that has not been said by politicians and so the alternative - that it is right to let people sink or swim - has flourished in the vacuum that has been created.

The second false assumption is that politics does not matter. This is the basis for the anti-expert narrative. The foundation for that is in the attitude that I called that of [cowardly politicians](#). That politics, of which we saw for two decades, said that whatever the problem was the market could solve it. The best solution according to cowardly politicians was, then, to walk away and let the market do its best. Any intervention, whether by a politician, or a civil servant, or any expert they engaged, would only make things worse. The market knew best and experts, expertise, opinion and argument on what best to do had to be avoided. This, of course, is wrong. Markets can be phenomenally useful and I am entirely in favour of their existence, but markets cannot and do not price a great many factors into their considerations. Bluntly, they fail to consider any issue that cannot readily be priced, and a great deal of what is important in life, both now and in the future, falls into that category. So markets cannot do the job cowardly politicians have tried to give to them. But the consequence has been that politics and experts have been said to cease to matter. And that is wrong.

Put these two assumptions together and you have the prevailing narrative that government and politicians have to get out of people's way, only markets matter, and that unfettered competition should prevail, with power rather than need being the principle determinant of social outcomes. And that is the challenge we face. We either have to say government matters again, and explain why, intervention driven by expert judgement makes the world a better place in ways that markets alone cannot achieve, or we give up the argument with the Hard and Far Right who reject these ideas altogether.

Don't doubt though how hard this will be for many politicians. Far too many of them believe that these assumptions are true. They find it almost impossible to think that the state really matters; that it can and should act, and its doing so will be for the public

good. Very few of them understand economics as it really is. And it is definitely a minority that truly realise they have to form judgments on issues. And that has to change if society as we know it is to survive.