

The foundations of economics: another view

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The [letter to the Guardian](#) calling for an economic reformation, building on the [33 Theses](#) published last week, has now [created a reaction from the economic establishment](#). I will address the issues that they have raised later.

At this moment I am publishing something I actually wrote last week but did not publish as it was shared with others first. This is an alternative list of 16 Theses. The reason for offering them is to suggest that the 33 offered last week were not the perfect model on which to progress because some were confused; others appeared to duplicate themselves and some issues were just missing. With colleagues at Progressive Pulse we think this issue is important and want to encourage debate on it. So these are my first draft alternatives.

I stress they are drafts. I am open to persuasion and change, as well as addition and deletion. But what I am quite sure about is the need for debate on what economics, or more precisely, political economy, is all about.

1 Purpose

Economics seeks to explain how individuals, the organisations (informal and otherwise) and the states (with their associated instruments of government) of which they are a part make decisions for themselves and as they impact others, whether they be known or unknown to the decision maker and whether intended to have impact now or in the future.

2 Objectivity

There is no such thing as objective economics. Economics always reflects the choices and values and preferences of the decision maker, economist, organisation, society, country or international organisation that promotes it and must be understood within that political and social context.

3 Society

Economics must always reflect the society and its circumstances for which its use is anticipated. Since these societies and circumstances vary wildly there are no such things as standard or optimal economic solutions.

4 Constraints

Economics must reflect the world we live in, the constraints it imposes upon us, the obligations we have to generations to come and the resources currently available to us.

5 Government

A government is the foundation of almost every state and economy in the world. Any study of an economy must reflect this fact; the choices that government has available to it or might realistically make and its key role in establishing the laws and regulations that will underpin all economic transactions in the jurisdiction for which it is responsible. It must additionally consider the actions a government takes through a central bank in creating the money that the government needs to fund its spending and which must circulate in the economy for which it is responsible as well as the tax it does and does not charge to ensure that its fiscal, industrial and social policies are implemented.

6 Diversity

Individuals fulfil different roles and functions at different times in their lives. Economics must reflect that fact and recognise that a useful life is not necessarily one dedicated to work for economic (usually monetary) exchange, whilst also recognising the importance of this role for many.

7 Work

Work for monetary exchange takes many forms and can be contractually organised in many ways. Economics should recognise that no one mechanism is better than another if all suit some and that the differing methods of working, including self-employment and entrepreneurial activity, are a part of the necessary choices that an economy likely to meet varying need will encourage.

8 Discrimination

Economics should not be discriminatory either whether within itself or in the prescriptions it offers or alternatively should be explicit about its choice to be so, making clear those that it intends to favour and why when this discriminatory approach is adopted.

9 Inequality

Economics must recognise that people are not homogenous; each having their own preferences and choices to make that cannot always be anticipated. The consequence

is that not all bring the same predispositions to economic activity which in turn means that not all will enjoy the same outcomes. That being said, unless explicit and good reason is given the differences in outcome should do no more than reflect the predispositions that each person does naturally possess and even then the human rights of each individual must be respected to ensure all have access to the society in which they live.

10 Predictability

People are not predictable, and none can know with any certainty what might happen to them in their own future, or that of others. The consequence is that the methods that are used for decision making vary widely, including by the same person when considering different issues. Economics must reflect this reality.

11 Need

Without being prescriptive it is likely that most individuals will have a range of needs that are necessary to meet their material, emotional and intellectual needs, with many also recognising that in combination these activities might provide them with a sense of purpose that they alone can define. Economics is not capable of presuming what those goals might, or should, be.

12 Society

People are social beings. The relationships they have, various communities they live in, organisations they work in, and societies of which they are a part are all shaped by them in their own particular ways, as much as they might be by the other participants in them. Those organisations are as a result complex and unpredictable as well as being open to considerable change over time. Economics must recognise this, and that many of the factors that influence those outcomes can rarely if ever be reduced to issues solely relating to economics exchange.

13 Organisations

Because society can grant some organisations either roles or scale that is disproportionate to that of any individual or community their functioning is of particular significance in economics and worthy of special study to ensure that their influence does not inappropriately impact the relationships between all those individuals on behalf of whose well being it should be presumed that an economy is run unless specific assumptions to the contrary is stated, with reasons given.

14 Change

Change is integral to life, and so to economics. Economics must recognise that life is lived in a perpetual state of flux. Because of this continual process of change it is vital that economics is studied within the context of both general history and the history of

economic thought because only by doing so can the diversity of possibility be understood.

15 Surplus, deficits, capital and borrowing

In the process of change that is the perpetual normal state of an economy there will be some who accumulate surpluses, and others deficits, of resources. Some of these surpluses will be represented by tangible property. Other elements will be cash holdings or borrowings. Yet more will be non-cash related financial assets and obligations. Economics must both explain the consequences of these surpluses and deficits arising, including their impact on the well-being of those who have responsibility for them, and explain how they might be managed for the good of all as those involved face changing circumstances over time.

16 The wider perspective

Important as economics might be to those engaged in its study it is but one of a range of disciplines that seek to explain the human condition and the relationships between those who make up a society. It must be understood, and taught, in that context and not in isolation.