

Is realism the new 'ism'™?

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I [have suggested that we need a new 'ism'](#) when it comes to economics. I am far from alone in doing so. The demand for a new paradigm stretches across the left, at least, in politics. But what we get, time and again, is an analysis of what is wrong with what we've got. Let me try to push this forward, a little.

First, let me point out that quite a lot of what we have is quite good. Don't get me wrong: I know, and moan about the flaws from inequality, environmental degradation, short termism, austerity and the consequent poverty of public services onwards in the economy we live in. Please take that as read. And then also note that very large numbers of people are at work; much demand for goods and services is met; there is food to go round in many countries, and education too in quite a lot of them, as well as health care that would have been beyond the wildest expectations of many not long ago. We haven't got a panacea, very obviously: if we had we wouldn't be looking for something else. But let's also not ignore the reality that something is working, because some things clearly are.

Second, in that case let's be clear that what is not working are the descriptions of what is working, and why. This is true of the left and right. If descriptions of socialism worked the left would have to look no further. However, since the left are looking we have to conclude that most descriptions of what socialism has to offer do not chime with a reality people see, or appear to want.

The same is just as true of capitalism. We very obviously do not live in a capitalist economy. Capitalism requires that there be an efficient mechanism for the distribution of capital through a market system that is free from the tendency to monopoly to ensure its efficient allocation for the benefit of all. That, very obviously, is not happening: markets and even whole functions of government have been captured by monopolists working in the interests of a few to capture much of the gain from the economy for the benefit of a tiny part of society as a whole. The fact is capitalism is not working, and it is glaringly obvious that those with power don't want it to do so. In addition, the fact is that no one has any idea how to make capitalism function as theory suggests in reality. In that sense it's just like socialism.

Our two big 'isms' do not, then, describe the world as it is.

Neoliberalism has in the meantime filled a void. It has corrupted capitalist theory and sold a narrative that is about rent extraction, not profit seeking, and the two are entirely different. Its power has been in the quality of the corruption, which has been first class: the corrupt narrative it has had to sell has been well crafted to ensure that what capitalism does in theory has been adapted to deliver a very different outcome in practice, and this has very clearly distorted reality in ways that are now apparent, and repugnant to, many.

There are lessons to be learned. I will offer just three. First, neither socialism or capitalism describe a world that is close to the reality people recognise.

Second, neoliberalism works by describing a distorted view of reality with a very specific goal implicit in it, which has been the delivery of bias towards a few.

Third, narratives that are recognisable but have an implicit goal can bend the way the real world works in their own favour, and have.

Those three conclusions may be sufficient because they hint at a solution. The solution cannot be based on pure theory: the real world does not work like that: reality keeps crashing in. On the other hand, narratives based on reality do work, and can change outcomes. But, most importantly, a narrative that is biased to the few is no longer acceptable.

So we need a new narrative. It must reflect the reality that the economy is mixed. There is a role for the private sector, and for the state. The reality is that each does some things well, and is sometimes deeply unsuited to tasks that the other is best able to deliver.

The reality is that there are almost no unfettered markets: indeed, the reality is that fettered markets are essential precisely because markets rarely work without being fettered. And the reality is that the process of limiting market power, and abuse within them for the benefit of all, is best done by a state.

The reality is that the state works best when people believed its interests are aligned with their own. Democracy assists this process. The reality is that this requires that democracy empower a wide range of views, some of which will appear repugnant to others. But to do this the market for democracy must be fettered by rules that ensure capital (or the power of money) cannot corrupt it.

This democratic expectation means that in reality a diverse media has to be encouraged and even supported, even if there is also a need for a state news service, albeit that seeks to provide as objective a news base as possible.

The reality is that the environment has to be respected.

The reality is that if there is to be a bias inside any new 'ism' then it has to be in favour of most people, since the existing bias has been against them. Assuming the returns in an economy really are rents, interest, profit and wages then there is no doubt that the new 'ism' has to prioritise these in the reverse order from that listing, which reflects the current 'ism'. In other words the priority must be wages, profit (as properly stated as the return to enterprise, rarely seen beyond small business now), interest and rent (which is the return most large business now extracts).

And the reality is that this requires different goals. So, GDP, which is indifferent to stagnant wages, is of little use to a new 'ism' when GDP can celebrate 'growth' that most can never enjoy.

And the reality is that goals must therefore be different: rather than growth the new 'ism' must make its bias clear by making full employment and rising median wages its objective whilst ensuring that real need is met with the lowest environmental footprint we can achieve.

This reality demands that the interest of the person owing money is as important as the person to whom money is owed. That means monetary inflation need not be controlled just to protect the creditor.

And this reality does not demand that a government balance its books to serve the mistaken desires of a capital market dedicated to savers when saving does no longer fund investment in the real economy where and when fiat money prevails.

And this reality requires that interest be kept low as an end in itself to minimise redistribution from those who have not to those who have.

Whilst this reality says that regulation to control market abuse is more important than the free movement of capital.

And at the same time this reality respects the real need of people to move to work, and aids it, whilst respecting the need of communities that transition their membership to receive support to do so.

These are realities. They are not myths. These are assertions based on what is actually required to bias the economy which, as I noted at the outset, has many qualities that do work, in favour of most of those who work in it.

And the reality is that policy to achieve these goals can be offered, based on modern understanding of money; of tax; of democracy; of corporate and market forms and regulation; of environment and related issues; and even of automation which can be embraced to release people to do the work that society really wants if only the combination of all those understandings is brought to bear to fund those new ways of working from which the communal gain that new productivity could deliver could be

shared by all, which neoliberalism would deny.

So what is this economics called? I'd call it realism, because it is based on reality.

The reality of the economy that exists.

The reality of the way it works.

The reality of what people know is wrong with the narrative we have.

The reality of the aspirations of most people.

The reality of the constraints we face.

And the reality of the opportunity we have.

We've had capitalism, socialism and neoliberalism.

Now I want realism.

Could this be the new 'ism'?

Is that too much to ask?