

Question of the day: what is our new relationship with ...

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It seems to me that there is bound to be an existential crisis in politics very soon. The question so long suppressed of what the state is for is going to have to be addressed.

Since the takeover of politics by neoliberal thinking began in 1979 in the UK and 1980 in the USA it has become an object of faith amongst most, if not all, who have held political power that the organisation that they have apparently fought so hard to lead is itself secondary in society. The state, in the commonly accepted narrative, is but a servant to the market, which is the predominant creator of value and arbiter of the dissemination of well being in society.

That support role for government is, according to that same narrative, best served by the state absenting itself from interference in market mechanisms to the greatest possible degree, whether that be by minimising regulation so that unfettered competitive pressure may supposedly be brought to bear in the allocation of economic resources, or by minimising tax so that consumers can exercise their right to choose within the market to the greatest possible degree. The transfer of services from state to private suppliers is an extension of that same logic.

That this was never true was always apparent to those willing to look beyond dogma. Time and again the claims made by those promoting these ideas proved to be false. When they went looking for waste to be eliminated they could not find it. When they sought to find activities undertaken by the state that could be eliminated they only found essential services whose removal would result in hardship. But this did not diminish their ardour. The result was that the state was suppressed instead and those who relied upon it most were oppressed. But even so, the means to eliminate it could not be found in forty years of searching.

And now everything has changed. A virus may have changed our relationship with the state forever.

The most right wing government elected in the UK in a lifetime has used the power of the state to close most markets.

What they have discovered is that far from the state being limited in its capacity to spend by available tax income, it can in fact spend without apparent limit by using the power its own central bank has always had to create money at will, shattering their own austerity narrative in the process.

And those services that it has so long sought to undermine, not least by seeking to reduce the wage rate of those working in them to make them unattractive to able recruits, turn out to be essential after all.

But most shocking to many, I suspect, is that it turns out that far from there being markets operating free of the state, the reality is that markets are now entirely dependent upon capital provided by the state for their survival. The notion that the providers of equity capital to companies are the ultimate risk takers in society, and worthy of both considerable economic favour and low taxation as a consequence has been proven to be untrue. It is the state that has borne the risk in this crisis and the vast majority of businesses are now surviving only because the state has taken on the role of being their real provider of risk capital.

Instead of markets being primary and states secondary what we suddenly see is that the reverse is true. The state is the greatest risk taker and the underpinner of markets, and therefore the ultimate source of our wellbeing in all aspects of life. It alone can get us through troubled times. And it alone has the means to deliver essential services, which are of much broader variety than we might ever have imagined. The narrative of the last forty years was wrong, as some of us always thought.

But three questions follow.

First, what does this mean for your relationship to the state?

Second, what does this mean for the state?

And third, how is this communicated?

Thoughts are welcome.