

Politics, economics and political economy

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I was asked yesterday if I would mind splitting this blog into two. One part would be on economics. The other would be on politics. The argument was that most people want the economics, and not so many the politics.

I had to reply that I did not think that was possible, but because I was very anxious to deliver 50,000 words on a project last night (and did, on time, if only just) I could not elaborate. As I am taking a relatively quiet day today as reward for the effort expended, let me explain now. Not that it takes long.

I am a political economist. I actually don't think there is any other sort: those who claim otherwise are, in my opinion, simply deluding themselves and others, usually in the cause of neoliberalism. But there is a point to saying that the two are inseparable, and that if a political economist is to be honest must be so. And that is that all economics is based on assumptions. We all build models all the time in all aspects of life to help us understand things that are otherwise inexplicable, or at least, which would take too long to fathom out unless we had a model to help us.

Some of these models are backed by law: in the UK we have a model of driving on the left hand side of the road. We know full well that a model of driving on the right hand side works at least as well. But we use one where we drive on the left.

We also have models of behaviour. Most of us, but with varying degrees of accuracy, can interpret smiles and other body language. The methods we use are models - and most of the time they work for us. Practice lets us use them because the results have, usually, been good enough to permit us not to think too hard, and thinking is hard, which is why most of us would rather not do it.

In political economy the models explain how relationships of power - human and legal, in the main, but not entirely - influence the way in which society allocates resources, for better or worse.

But those models aren't fixed. And some of them could be radically changed. About 30

years ago Sweden switched from driving on the left to the right, for example, overnight. The rules of engagement changed. And that is always possible. Just as human relationships can be altered, and have been. The political constructs that are so powerful in allocating resources - from the right to inherit, to gender stereotypes, to race - and so much more, are all open to challenge and adjustment. Sometimes that is encouraged by law. Sometimes events change our own patterns of behaviour - our heuristics alter.

But the point is that those models are all political. There is literally nothing in the economy that does not have a power relationship built into it - the tax system being a perfect example of that. It is power alone that results in income from wealth being taxed less than income from work; nothing else can explain that.

And even within modern monetary theory (MMT) the priority it places on full employment is, of course, a chosen priority. It makes sense to those who use MMT. But it is a political choice.

And all these choices are interwoven. I can't, for example, consider what full employment means without considering issues relating to gender, orientation, race, migration, class, and so on: all of them impact on the outcome of a decision to pursue full employment and who really gains from it.

In that case I can't discuss MMT without discussing politics because MMT seeks full employment.

The same is true of any other economic issue. What we decide, how we decide, how we even build the model (and this is so true of MMT) reflects political choice. In that case two blogs are impossible. Politics and economics are inseparable.

So too then are disputes. That's life.

I'd like to say I am sorry about that: I don't much like disputes either. But I can't: they come with the territory. They happen and they will happen again. Disputes are what political economy is about.