

Funding the Future

Article URL

Published: January 12, 2026, 7:34 pm

With politicians, taking an Easter break, inspiration has to come from elsewhere this morning. I am returning, in that case, to the article by economics Nobel Prize winner Angus Deaton [on the IMF website](#), which was entitled "Rethinking my economics".

I admire Deaton for having the courage to write this article. That is what it takes to admit that you might well have been wrong throughout a large part of your career, which is what he appears to be doing.

There are, I think, three themes. The first is this one:

Power: Our emphasis on the virtues of free, competitive markets and exogenous technical change can distract us from the importance of power in setting prices and wages, in choosing the direction of technical change, and in influencing politics to change the rules of the game. Without an analysis of power, it is hard to understand inequality or much else in modern capitalism.

Unsurprisingly, I agree. Political economy is all about the influence of power on the allocation of economic resources. Most economists assume that this is not a problem by suggesting that everyone has equal access to capital, which equal access can be equated with an assumption as to there being equality of power when they undertake their spurious calculations. The difference in worldview is decidedly stark. One reflects reality, and the other does not. It is about as blunt as that. It would seem that Angus Deaton has now realised that. That matters. **As I argued earlier this week, power and its abuse are what really matters when it comes to the creation of economic justice.**

Then there is the spurious economic argument for efficiency, which we hear expressed all the time as the demand for more productivity. On this Deaton says:

Efficiency is important, but we valorize it over other ends. Many subscribe to Lionel Robbins' definition of economics as the allocation of scarce resources among competing ends or to the stronger version that says that economists should focus on efficiency and leave equity to others, to politicians or administrators. But the others regularly fail to

materialize, so that when efficiency comes with upward redistribution—frequently though not inevitably—our recommendations become little more than a license for plunder.

Again, I agree. The vast majority of the demands for productivity made within the economy are intended to reduce the level of labour input into the production of goods and services, whilst at the same time increasing the return to the rentier who has exploited the natural resources of the world to deliver the material component. Almost without exception, this becomes the license for plunder to which Deaton refers.

That said, I do of course know that there are exceptions. But, to refer to his previous argument on power, differentiating the two by undertaking an analysis of power is critical if we are to understand the reality of the demands for efficiency made within our economy. By no means all demands for efficiency are benign, and many are far from it.

Deaton added this when discussing this issue:

*Keynes wrote that the problem of economics is to reconcile economic efficiency, social justice, and individual liberty. We are good at the first, and the libertarian streak in economics constantly pushes the last, but social justice can be an afterthought. After economists on the left bought into the Chicago School's deference to markets—"we are all Friedmanites now"—social justice became subservient to markets, and a concern with distribution was overruled by attention to the **average**, often nonsensically described as the "national interest."*

I am not sure what to add, apart from 'quite so'.

Let me then note the final issue he mentions that I want to highlight here, which is:

Humility: We are often too sure that we are right. Economics has powerful tools that can provide clear-cut answers, but that require assumptions that are not valid under all circumstances. It would be good to recognize that there are almost always competing accounts and learn how to choose between them.

I know he also refers to ethics and empirical methods in the note that he wrote, but I feel that both can be summarised in this single paragraph on humility.

If we are to make choices between competing accounts, then we necessarily need to have an economics that is ethical. In a very real sense, there is no other choice.

That, as Deaton himself noted, requires that economics rethink its use of empirical methods that necessarily impose an artificial worldview on economic analysis so that economists might undertake their existing form of mathematical interpretation of the incomplete and flawed data that they collect, which they do, however, presume to be value free in almost all the exercises that they undertake.

As I have always argued, the stories that we tell each other about the economy in which we live are more important than the data we collect about it because they provide the framework within which any information is interpreted. It would seem that Deaton now agrees.

I call that progress, except for the fact that about 92% of the world's living economists are probably now in disagreement with him now. We will just have to make progress, one step at a time.