

It's time to talk economics

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The claims economics makes about itself as a subject for study can in no way be matched with the value-laden, neoliberal way in which much of it is now practised. It's the practice that needs reform.

https://www.youtube.com/watch?v=EhG670_BgrE&si=H-DXpa9ltYVE02Kt

This is the audio version:

https://www.podbean.com/player-v2/?i=4bedf-17920e7-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

It's 2025, and it's time to talk economics.

Economics can be defined at its simplest as a study of the way in which we manage the scarce resources of the world in order to meet needs and wants. And, in many ways, that's a pretty good definition. But I stress, that is what it is. A definition. Think of it in linguistic terms and that's a noun, a description.

But that's not how economics is used in practice because, in reality, economics is like a verb. It's an action. It's something that we do. And that's particularly true when economics informs politics. And so, that description of economics is not much use if the

verb that we use to describe the economy and the way in which economic theory informs it is something entirely different.

Now, Nobel laureate economist Gary Becker - and I do, by the way, know all the problems with describing anyone as a Nobel laureate in economics - but Gary Becker did have a definition of what he thought economics was as a verb. And I'm going to read it to you. He said:

Economics combines the assumptions of maximizing behaviour, stable preferences, and market equilibrium, used relentlessly and unflinchingly.

Now, that's a very different definition of what economics might be as a verb from what economics is as a noun, which is where I started this video. Because what it says is that as a verb - economics in action in other words - economics seeks that companies maximise profit.

It requires that individuals maximise utility, although, no one on earth knows what utility is, but because of the way in which Gary Becker defines this, he does mean consumption paid for with money.

And he presumes that everyone is rational, which is what stable preferences mean. And I don't know about you, but I have had my odd moments of irrationality, and I'm going to put a very high bet on the fact that you have too. Which means that this verb, for economics, does not relate to the world that really exists.

And this verb assumes that markets are efficient and, therefore, that the outcomes that result from them, whether that be massive gross inequality and climate change, are good.

And finally, the implication of this verb when it's used in this context to describe political economy suggests that everything to do with government is bad because markets are efficient and as a corollary, but not stated, but nonetheless unflinchingly required, is the assumption that everything to do with government must be minimised.

Now, what that means is that in practice - this perception of economics, which comes straight out of the Chicago school by the way - Gary Becker is an heir to Milton Friedman - this definition of economics is in direct conflict with that definition I gave right at the start of this video where I said that economics is about the decisions that we make about the allocation of scarce resources to meet needs and wants. Because there isn't a decision in this process, there is instead an assumption, which is that markets work, but that is not true because people are not rational. People do not have the perfect information they need to work within marketplaces and markets do price things incorrectly, which is contrary to what Gary Becker presumes, because he thinks there is a price for everything and that markets know it.

So, what we get is something, in this view of economics as a verb, which is fundamentally different from that rather nice-sounding definition of economics about meeting needs and wants.

So, which of those two informs the way in which our politicians behave? I would love that it is the first that they spend their time worrying about meeting needs.

But the truth is, they don't. That isn't where we are politically. Neoliberalism has been informed by the Chicago School of Economics for well over 40 years now. And so have our politicians.

If we look at all our leading politicians, whether that be Keir Starmer, or Rachel Reeves, or Kemi Badenoch, or frankly the Liberal Democrats, and to some degree the SNP in Scotland - but I would exclude here the Greens and Plaid Cymru because they definitely are not neoliberal parties - but all the rest are informed by that type of thinking that Gary Becker explains, even if they don't even recognise the fact. They assume that markets will allocate resources effectively and that it's their job to stand back and let them do that. That is what neoliberal economics does. And that's what neoliberal politics does. It is all about standing back and letting markets do what they wish.

That's why we're in the mess we're in. It's also the reason why we have so many problems. Because what our politicians assume is that companies should be allowed to maximise their corporate wealth. They should be allowed to maximise that wealth on behalf of their corporate owners, who are, of course, a tiny proportion of society as a whole.

They are quite happy when corporations seek to minimise their costs, including with regard to paying people - and seek subsidies even from the state to do so.

And they're quite happy when corporations abuse the planet or anything else.

They want to minimise the role of government. And that's not just that corporations want that, although they very clearly do because they don't like paying tax. And they most certainly don't like being regulated. But that's also true of our politicians.

I mean, just look at Keir Starmer. Over Christmas, he asked the UK's regulators of things like water and electricity and so on, "How can we create growth by minimizing the regulation you impose?" That is the proof that it is Gary Becker's type of economics that is actually dominating the way in which our economy is run.

Our politicians should be seeking to redistribute income and wealth. But what did we see in Rachel Reeves' latest budget? We saw measures that actually made it harder to employ people and which actually will impact upon the earnings of ordinary people. Because that's what the National Insurance Increase will do.

But she didn't increase the rates of tax on the very wealthiest when it came to income

tax. She only made small changes to capital gains tax, and she by and large let private equity off any additional tax charges. A little bit of a change, but not much.

This is the whole point, and there's something even more important. Politicians, if they really served people and not the interests of corporate power, would take into consideration our emotional needs, our intellectual needs, and our spiritual needs, by which I do not mean our religious needs because I see spirituality and religion as quite different issues. By spirituality, I mean our purpose as human beings.

But as far as politicians are concerned if they're briefed in the Gary Becker School of thinking - and as I've said already, ours are - that our purpose is to be economic units inside the economy, there to serve the maximization of corporate wealth. And the strongest evidence of that comes from Wes Streeting's attitude towards healthcare, which is all about getting people back to work and nothing about improving the quality of our wellbeing.

In 2025, we need to rethink economics. It's a theme that I've been talking about, and this is, in some ways, the first video on that theme. In 2025, we need to give up and clearly renounce the Gary Becker view of economics. We need to go back to talking about economics as the way in which we live. We decide about the allocation of scarce resources to meet needs as the first priority and wants, if there is anything left over within our society, with politicians having the job of intervening in whatever the market does to ensure that those needs are met.

That is what we need. That is not what we've got. That's what economics has to change if it is to be relevant. And we are a very long way from achieving that goal at present when we have people like Keir Starmer, Rachel Reeves, Kemi Badenoch, and all the others in UK politics who believe in this nonsense view of growth at all costs and corporate maximization as their priority.

People should be the epicentre of their concern, but they're not.