

Funding the Future

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Neoliberalism has dominated economics and politics for 45 years, despite being based on nothing more than myths, falsehoods, and fantasies that should have discredited the cult promoting it long ago.

<https://www.youtube.com/watch?v=uYyalJMXROw?si=HEs-ISNH8UArLw5q>

This [is the audio version](#), which will not, for reasons I cannot explain, embed this morning. Apologies for that.

This is the transcript:

Neoliberal economics is a work of fiction.

I talk about neoliberal economics quite a lot on this channel, but I realised that I hadn't really put together a video which explains just exactly what I'm talking about and why I think that this whole political ideology and economic theory is based upon a load of twaddle - a technical term - but which I think is appropriate and better than some other words I could have chosen.

There are two strands to this. The first is that we have to look at neoclassical economics and what it has assumed, and then at neoliberal economics and what it has developed from neoclassical economics, and as a consequence, we can draw some conclusions. But we shouldn't see these two strands of thought as isolated from each other because neoliberal economics is the inevitable development of neoclassical economics, and neoclassical economics has been around for a long time, which does not mean that it is in any shape or form right.

So let's go back to that neoclassical economics, something that really developed perhaps with somebody called Alfred Marshall, and in all the theories that followed

throughout the 20th century there was developed a type of economics that was essentially deeply, supposedly rational, on the basis that economists wanted to turn their subject into a science, and a science required that they should be able to mathematically manipulate data in a way that they thought could create predictable outcomes, and as a consequence, they needed to put in place a series of assumptions about the behavior of people on which they could build their analysis.

And this is what I'm talking about when I come to the point of saying neoclassical and neoliberal economics are twaddle, because the assumptions that underpin both of them are quite frankly absurd.

Let's look at Neoclassical economics first. The first thing that Neoclassical economics says, and this is driven by its need for a rational mathematical model, is that we ourselves are rational beings. It says we will always seek to maximise our well-being, even though I don't think you've probably ever thought that way.

I bet there have been moments in your life when you have thought, I don't want to do this, or I don't know what to do. I don't know what choice to make. But that doesn't matter. An economist will assume that you did know and that you were rational, and that you always made the right choice based upon the data that was available to you.

And this will also be true of companies, who have never made a mistake because they, too, are always rational, using information in a totally structured and rational way so that the possibility of error is eliminated. This is absurd.

So, too, is the idea that if we behave in this way, we move towards a state of what is called equilibrium. Equilibrium is an optimal situation where our well-being has been maximised; where we are in the best position in which we might be; where we could not change anything and marginally improve our position.

And that word marginal is quite important because the maths that underpins this works out if we can make an incremental change that will marginally improve our position, or not, and if we can't find such a change, then we are at a point of equilibrium. We are, if you like, at the top of the hill, and there is no further we can go. The chart has reached the best point it can reach. That is what equilibrium represents.

And supposedly it is stable. In other words, once we get there, things are going to remain good.

I guarantee you that you do not relate to this experience. I bet you do not think that you are in the best possible place you could be right now. I doubt that you can ever remember a place like that for more than a moment or two. It may have happened on the odd occasion during the course of your life that you have thought, "I am euphoric. This is wonderful. I am at a point of bliss." But it didn't last, because it never does.

This idea of equilibrium is absurd. It is alien to human behaviour. We literally can't understand what bliss, happiness or whatever else we wish to call it is, unless we also know what unhappiness and stress and all those other things are. We live in a world where we understand well-being because we aren't always in that state, and yet economists assume we can be. That is absurd.

They also assume that this point is reached when there is something called perfect competition. Markets then assist us to become optimal in our behaviour by offering us perfect choices because there are any number of competitors in the marketplace between whom we can choose and who provide us with perfect information about the products that they make available so that we can make a rational choice on which one we want to buy. And if somebody comes up with a good idea that they wish to sell in the marketplace, they will get access to all the capital they need to bring it to market to expand our choice in the way they want.

Is that how you think markets work?

Do you think that anybody could set up a new search engine tomorrow and challenge Google, and around the world, the whole world will be made aware of it immediately? No, of course that's not true.

Do you have a free choice of which water company you buy from in the UK? No, you don't. You have no choice at all.

How many supermarkets can you really choose between, given that you don't want to drive miles to reach one? Not many.

When you get there, do you find free choice or do you find the same brands in every supermarket? You find the same brands.

The point is, this idea of perfect competition and free entry into the market is completely absurd.

There is no such thing as perfect competition.

There is no such thing as perfect knowledge.

There is no perfect access to capital so that new competitors can enter into marketplaces as they wish. It just does not happen.

So this is quite crazy. You cannot do that. You cannot therefore profit maximise because there are barriers that prevent you from doing so. However good your idea, you may not be able to put it into the marketplace and therefore make a profit.

And we can't utility maximise as the economists would have it because there are barriers, because there isn't perfect competition. We are not offered the choices we

need. Nor do we have the information that we require to make perfect choices. And even if we did, we don't want to spend all our life thinking about what we want to consume. There are other things to think about as well, thankfully.

So all of this comes up with a logic which is quite ridiculous, despite which it is assumed that our preferences are stable. Now, economists are incredibly keen on this idea. Once we have made a choice, we won't change it. As I've always said to my students, you will, in 2037, go into a pizza restaurant and order the same pizza that you did in 2025, because first of all, it will still be on the menu, and secondly, you will have not changed your mind on what you want to eat in that restaurant between now and then because that's not allowed. Stable preferences require that once you have established your position, you will maintain it. And economists are so sure of this that, actually, when they come to do macroeconomics, they don't even consider individual choice at all. They consider that there is a representative person, a single person with stable preferences who will buy the same thing from now to eternity because they've made up their mind as to what is required, and that is it.

It's as if all that expenditure and advertising will never change our minds on anything.

There will be no new products. There will be no changes. We won't change our preferences over time. We might get bored with putting who knows what - pineapple - on the top of a pizza, if that is your poison, but you will always like it if you did once, apparently.

This is another of those crazy assumptions, and yet, without those assumptions that I've just outlined, none of neoclassical economics works. All its forecasts, all its models, all its maths, everything that they use to predict things; none of them work without those assumptions holding true. And they don't hold true. Not one of them does.

But despite that, neoliberalism took neoclassical economics and then made everything much worse by turning neoclassical economics into not just a new form of economics, but into a political ideology as well.

What did they say? They said, first of all, that free markets are efficient, and that's because there is perfect competition and because everybody has equal access to money and all those other assumptions that are implicit in neoclassical economics, all of which are untrue. They said that if these things held true, then we would end up with the best possible outcome for society by having everything run by markets.

And so as a consequence, they made their next assumption, which is that government must be as small as possible, and we must privatise everything we can and deregulate everything else to the point where markets reign supreme, because that will provide us with optimal outcomes.

Yes. That's worked so well with regard to climate change, and water, and so much else,

hasn't it? We all know that's worked to perfection, and yet that is what they believe.

They also believe that everything is our individual responsibility, so we must provide for our healthcare. We must insure for it. We mustn't rely on the state.

We must provide for our children's education. We must not rely on the state.

We must provide for our own pensions. We must not rely on the state.

We must provide for our own housing. The state has no obligation to us.

We must save to provide ourselves with a social safety net in case anything goes wrong or we become long-term sick. We must not rely on the state.

This is our responsibility.

The market must provide, and we must provide. And if it all goes wrong, well, bad luck. That's so sad, but you were so imprudent as to not provide for yourself, even though you didn't have the means to do so. But that just means that it's your fault and not the markets. You were the person daft enough not to make the provision. That is their logic.

And they also believe in global free trade. Which is pretty bizarre when we see what's happening right now with Trump. But he will claim that's exactly what he's trying to do: he would actually say that he's trying to promote global free trade, and it is the barriers that he claims have been put in place by the rest of the world that are preventing it, which he is having to counter with US tariffs to try to create a level playing field between the US and the rest of the world even though the US has the massive advantage of running the world's sole reserve currency, the dollar, which means it doesn't in effect have to pay for half its imports, and yet he has failed to notice that. Global free trade is supposedly the answer to everything, according to the neoliberal, but it clearly doesn't work, and we've actually found that their own politicians are admitting it.

Nor does small government work, of course. Small government is actually the whole Trump agenda. That is why Musk went into all the departments he did and tried to sack as many people as quickly as he could. But all we end up with is chaos, mayhem, confusion, a failure to supply, the removal of the safety net, the removal of education, the undermining of healthcare, and so much else. Small government is actually just designed to penalise the majority of people in the state who need the government to partner them in their lives to ensure they can survive in this world where the odds are stacked against them.

And let's come to the final thing that the neoliberal will believe, and that is that monetarism rules. In other words, interest rate policy must be used to tackle inflation, and it is more important to tackle inflation than to promote full employment. People do not matter; the stability of money does. And why is that? Because the stability of

money is essential to make markets operate smoothly in the way that the wealthy think is desirable, and, therefore, we can sacrifice those who haven't got jobs to the altar of the increase in wealth of the already wealthy.

These are the assumptions that neoclassical economics has created within neoliberal economics and which drive our politics. In summary, we have an edifice built upon falsehoods, stupid claims, and facts that can't be supported in practice. Ideologies that have already been shown to fail, and a belief system that is actually more absurd than almost any religion in the world has ever promoted, because this is a belief system.

Neoliberalism and neoclassical economics are belief systems, and the fact is there's no evidence to support them. And that's why they're dangerous, because at some point, someone, somewhere is going to say they have no clothes on, and people are going to believe them, and then will be left without any alternative form of thinking, because perhaps the most dangerous thing of all about neoliberalism is that it is thought that 92% of all economics professors in the world are now of a neoliberal orientation. They believe this nonsense, and they teach this nonsense to undergraduates, and because of that, this is a self-perpetuating hierarchy of power.

But there is no one inside most economics departments in most universities in the world who is thinking about what happens when this fails? What are the alternatives now?

And they do exist. There are, of course, alternative ways of economic thinking. I try to promote them, but they're not out in the mainstream, and that is why it's so dangerous. Not only is neoliberal economics false, and it's provably false, it's also eliminating the competition to maintain its power. And the fact that it's destroying the competition in ideas is probably the most dangerous thing about it.