

Funding the Future

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A comment on this blog, [posted this morning](#), made me realise that when I talk about political economy, which is a phrase that recurs throughout my writing, not everybody understands what I mean. I am not referring to an academic sub-discipline or an abstract branch of theory. I am talking about the only way that economics can, in my opinion, make sense.

Economics is not, and never has been, a neutral science. It is a social practice. It describes how human beings organise the resources available to them, whether they be labour, other species, capital, or the planet we live on, and, in doing so, express their choices about power, ownership, and fairness. Those choices are inherently political. To pretend otherwise is to disguise ideology as mathematics, which is what economics, as it is now taught, does.

That, in essence, is what political economy means to me. It is the study of how power and policy shape economic outcomes, and how economic outcomes, in turn, shape power and policy.

That said, it might be appropriate to add a bit more explanation to this.

First, political economy begins by acknowledging that there is no such thing as an economy separate from society. Every economic act, from a wage negotiation to a tax policy, happens within a political context. When governments decide how to spend, who to tax, or which industries to subsidise, they are not responding to immutable laws of supply and demand. They are making moral and political choices about what sort of society we wish to live in.

Second, political economy insists that the state is not a bystander. It is the most powerful actor in the economic system, as the issuer of our currency, the provider of public goods, a regulator of markets, and guarantor of rights. To deny that role, as neoliberal economists have done for decades, is to retreat into fantasy. Markets do not exist in a vacuum: they are built, sustained, and shaped by law, policy, and the institutions of government.

Third, political economy looks at who benefits. It asks the questions that mainstream

economics avoids. These are issues like:

- * Who gains from this structure of ownership?
- * Who bears the cost of this form of taxation, which might be very different from who appears to pay it?
- * Whose labour is undervalued, and
- * Whose wealth is protected the most?

It is in these questions that the real moral content of economics becomes visible.

Fourth, political economy is historical. It understands that today's arrangements, such as the privatised utilities, the deregulated finance sector, and the dominance of shareholder value, are not inevitable. They were created by policy choices that reflected particular ideologies and interests. And they can, equally, be changed.

The consequences of ignoring political economy, as I understand it, are all around us.

When governments claim that "there is no money left," they hide from public view the reality of sovereign currency creation and the capacity of the state to fund what it chooses to value.

When policy is reduced to the "sound finance" of balanced budgets and fiscal rules, we end up with a politics that manages deliberately created scarcity instead of building sufficiency.

When economics is stripped of politics, it becomes a convenient alibi for inequality. It allows wealth to accumulate unchallenged and poverty to be dismissed as individual failure. It turns questions about justice, security, and dignity based on real-life experience into technical debates about productivity and growth.

In other words, the depoliticisation of economics is itself a political act, and one designed to preserve the privileges of those who already hold economic power.

The conclusion, then, is clear. If we are to rebuild a society that works for people rather than for markets, we must reclaim economics from the myth of neutrality. We must see it again as political economy.

That means restoring moral purpose to economic debate.

It means demanding that questions of tax, spending, and ownership be judged by whether they advance collective well-being, not just by whether they please the bond markets.

It means recognising that the economy is not an abstract machine, but the sum of our shared choices about how to live together.

Political economy is not a return to the past. It is the recovery of the reality of living together in community.

It is the insistence that, if economics is to serve humanity, it must once again begin and end with politics.

A copy of this post is now in the glossary to this blog under political economy.

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