

Economic questions: the Paul Krugman question

<https://www.taxresearch.org.uk/Blog/2025/11/06/economic-questions-the-paul-krugman-question/>

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This is one of a series of posts that will ask what the most pertinent question raised by a prominent influencer of [political economy](#) might have been, and what the relevance of that question might be today. There is a list of all posts in the series at the end of each entry. The [origin of this series is noted here](#).

After the first two posts in this series, the topics have been chosen by me, and this is one of those. This series has been produced using what I describe as directed AI searches to establish positions with which I agree, followed by final editing before publication.

Why is [Paul Krugman](#) in the series? It is most certainly not because he won one of the so-called Nobel prizes in economics for his work on trade theory. There are others whose work I address here who have not enjoyed that accolade, and who I consider just as significant. Instead, it is because he has been hanging around my economic consciousness for so long that it is hard to avoid him. In the New York Times and on Substack since he parted company with them, he has presented his worldview to many more people than his academic writing ever reached, and that makes him significant as an economic influencer.

At the same time, his opinions must be questioned. He is clearly a neo-Keynesian, but at the same time, like most of those now of that supposed persuasion, he is also very obviously neoliberal. He is also in complete denial as to the real nature of money and modern monetary theory and has clashed with both Steve Keen and Stephanie Kelton on these issues.

Krugman is, then, an apparent voice of economic moderation, and at the same time, he is a representative of those who seek to maintain the economic world in the style that the corporate Democrats in the USA, and other neoliberal politicians in many other countries (including the UK) find very comfortable. He might occasionally challenge views, but at the same time, his alternatives always seem to be more of the same.

He gets his place here because of his influence, but also because he offers nothing to anyone looking for a world that might be very different from the one we have. We need to recognise that, as a consequence, he is part of the problem with the established hierarchy of power in economics, which is impeding so much progress in the world at present. Someone had to represent them in this series: Paul Krugman got the job.

The limits of the liberal imagination

Krugman's economics is Keynesian at heart, but he is an economic pragmatist. He believes markets can fail, governments can fix them, and a balance between the two can deliver prosperity.

This is a comforting creed, but it underestimates how deeply the rot has set in. The crises Krugman describes are not aberrations; they are features of the model itself: financial instability, inequality, and stagnation are the results of policy frameworks such as debt-driven growth, corporate capture, and fossil-fuel dependency that neoliberal economics itself helped design, to which too many neo-Keynesians, like Krugman, have, by default, signed up to.

Krugman seeks to patch symptoms but too often refuses to question causes. The point about Paul Krugman is that there is no question we can be sure he seeks to answer.

The crisis of 2008 — a turning point missed

During the global financial crisis, Krugman was among the few mainstream economists to demand stimulus rather than austerity. He was right to do so, and history vindicated him. But even then, his analysis stopped short.

He treated the crisis as a technical malfunction - a temporary failure of demand - rather than a revelation of systemic fragility. He called for fiscal expansion, not structural reform. The banks were saved, inequality widened, and the cycle of instability resumed. Krugman won the argument but lost the moment.

The myth of the sensible centre

Krugman's political stance is that of what might be called the reality-based economist: pragmatic, empirical, grounded in data. Against the ideological right, that is refreshing. But against the crises of our age — ecological collapse, financialisation, and political decay — pragmatism without vision becomes complicity.

Those in this 'sensible centre' assume the system is sound and only needs fine-tuning. But when the ship is sinking, moderation becomes a form of denial.

The failure to confront power

Krugman often writes eloquently about inequality but rarely about power.

He describes income gaps but not the class structures that produce them.

He critiques monopolies but not capitalism's inherent tendency toward concentration.

For Krugman, inequality is a policy error, not a design feature. But when billionaires shape legislation, corporations write trade deals, and central banks serve finance, this is no longer a question of bad policy. It is a question of captured democracy.

Krugman's silence on that point marks the limit of his radicalism.

The economics of rescue

Krugman believes in government intervention, but always as a rescue operation. When markets fail, Krugman demands that the state step in to restore order. But what if the system being restored is the problem?

His model assumes that private enterprise remains the driver of progress, with the state as stabiliser. But what if the inverse is true, that the state must lead in building a sustainable economy, and private capital must follow within public limits?

The problem is that Krugman's Keynesianism never quite escapes its deference to capital and so does not ask the questions that really need to be answered.

The climate contradiction

On climate change, Krugman accepts the urgency of transition but clings to the same economic orthodoxy that created the crisis: carbon pricing, market incentives, green growth. He cannot admit that the problem is not mispricing but overproduction, and not a lack of markets, but their excess.

The planetary crisis cannot be solved with better spreadsheets. It demands a moral and structural transformation, one that mainstream economics, even in Krugman's humane hands, cannot deliver.

What answering Krugman requires

To answer the Krugman Question, we must go beyond his pragmatism. It requires:

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Recognising systemic failure. Crises are not accidents; they are the logic of a model built on debt, extraction, and inequality.

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Reclaiming power. Economics must confront who gains and who loses — and why.

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Reimagining the state. The public sector is not the economy's paramedic but its architect.

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Rebuilding purpose. Growth for its own sake must give way to well-being within ecological limits.

Inference

The Krugman Question (or lack of it) is the mirror of our political moment. We have become experts at reform without transformation, critique without rupture, and management without meaning.

Krugman's liberalism comforts us with the illusion of control: if only we were smarter, fairer, better governed, all could be well. But the system itself — of financialised global capitalism — ensures that crises return.

Krugman's tragedy is not that he is wrong, but that he is right about everything except the one thing that matters, which is the need to imagine an economy beyond capitalism, and that is a place to which he will not go.

Previous posts in this series

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