

New glossary entry: economics

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I realised yesterday that I do not have a glossary entry for economics, which seems to be something of an oversight. I offer this for comment. It has now been posted to the glossary, but I am open to updating it based on the comments received.

Economics is the study of how societies organise the creation, distribution, and use of resources so that people can live well together. It is not, as it is so often taught, a science of markets alone, nor a study of scarcity in isolation. It is about choices, power, institutions, and the care of people and planet over time.

First, economics is about provisioning. Every society must decide how food is grown, homes are built, health care is provided, knowledge is shared, and infrastructure is maintained. These are questions about real resources, whether they be labour, land, technology, or ecological limits. Money is a tool used to organise these activities, but not the purpose of them.

Second, economics is about distribution. Who gets what, on what terms, and with what consequences? Wages, profits, rents, taxes, and social security payments all reflect political choices about fairness and power. Most especially, markets do not deliver neutral outcomes; they embed rules about ownership, bargaining strength, and access to opportunity. It is the role of the state to create markets where they are required and to compensate for market failures when they happen.

Third, economics is about institutions. Governments, people, firms, trade unions, banks, regulators, and communities shape economic outcomes. The idea that the economy is a natural system operating independently of the state is a myth. Law creates markets, defines property rights, enforces contracts, and decides what behaviour is acceptable. Economics is therefore inseparable from politics and democracy.

Fourth, economics is about time. Investment decisions today determine living standards tomorrow. If we fail to maintain our five forms of capital (financial, physical,

environmental, human, and social), future generations will be poorer. The logic of sustainable cost accounting, which I have argued for on Funding the Future, is therefore essential to good economics.

Fifth, economics is about care. An economy exists to meet human needs with dignity and security. Health care, education, child care, care for the elderly, care for others in need, and environmental stewardship are not peripheral activities; they are the foundation of well-being. When economics ignores care, it becomes an ideology that justifies inequality and ecological damage.

Finally, economics is not value-free. Every model embeds assumptions about what matters. Much mainstream economics assumes rational individuals, efficient markets, and scarcity as the defining conditions of life. These are poor approximations to the reality of economic life and the human condition. Real economies are messy, cooperative, unequal, and shaped by power. That is why they are so interesting.

Economics should, therefore, be reclaimed as the study of how we build a sustainable, fair, and caring society. It is not about maximising growth for its own sake. It is about ensuring that everyone has the resources and security they need to flourish within the limits of our planet.