

The hard problem of economics

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In [a recent post](#), I discussed what is in philosophy termed '[the hard problem](#)'. I did so in the context of recent discussion on ADHD. I do, however, think this idea needs to be considered within political economy because I have no doubt that economics has a hard problem, but it is not the one economists usually discuss.

The idea that there might be a distinction to be made between what have been described as easy and hard problems was created by the philosopher David Chalmers, who distinguished between the “easy problems” and the “hard problem” of consciousness.

The easy problems concern the mechanisms by which the brain processes information, directs attention and produces behaviour. They are not, of course, actually easy. The term is decidedly tongue-in-cheek. They are called easy only because we can imagine how scientific investigation might eventually solve them.

The hard problem asks why those physical processes are accompanied by subjective experience. Hard problems include questions such as why pain hurts, why red looks like red, and why it feels like something to be alive. These are ontological questions.

I think that economics has a broadly equivalent distinction to make, although the question I pose here is derived from the work of David Chalmers, but can be distinguished from it because it is not, as such, ontological, and his question is.

The easy problems of economics concern measurement, valuation, performance standards and the mechanics of economic systems. They include questions about how money is created, how markets operate, how prices are set, how taxation works, how income is distributed and whether GDP is rising or falling.

I stress that none of these questions is necessarily easy. National accounting is complicated, and still in need of much development. Economic measurement is frequently contested. Financial systems are deliberately made difficult to understand: that is what professions do. But all these questions still lend themselves to technical

investigation. We can collect data, construct models and describe mechanisms.

The hard problem of economics is different. It asks how the economy is experienced by the people who live within it.

What does economic success feel like?

Suppose GDP is rising. An economist might claim that the economy is doing well. The statistics may support that claim using conventional definitions of economic performance.

But suppose that, at the same time, most people's real wages are stagnant, their housing costs are increasing, public services are deteriorating, their employment is insecure, their working hours are unpredictable, their children cannot afford homes, and their parents cannot obtain the care they need. Those people might reasonably ask what economic growth has done for them.

They are not necessarily disputing the value attributed to GDP. They are disputing its relevance to their lives. The economist is describing the economy from the outside. People living in a country experience it from the inside.

That difference is fundamental, but most economists, almost all politicians, and virtually every economic commentator in the mainstream media seem unaware of it. An economy can be simultaneously growing according to its accounts while failing according to the experience of many of the people within it. Indeed, growth may arise almost directly from greater insecurity, inequality, stress and environmental destruction in the way we measure it at present. The measurement can improve while the experience becomes worse. That is the world we are living in.

The issue is that conventional economics, used by the likes of the Bank of England and the Treasury, which, as a result, frames political and media comment, has remarkably little to say about this. It tends to assume that growth is desirable, that increased consumption indicates greater wellbeing and that market choices reveal what people want. It then treats the resulting numbers as if they provide an adequate account of economic success. My suggestion is quite straightforward: they do not.

A person may spend more because their rent has increased. That raises measured economic activity but does not improve their wellbeing.

They may pay privately for healthcare because the NHS has failed them. GDP rises, but their security declines.

They may commute further to obtain work, spend more on transport and have less time with their family. Once again, GDP records activity while ignoring the loss imposed upon them.

The easy problem counts what happened. The hard problem asks what it means.

The crisis of not asking

This distinction helps explain the political crisis confronting us now. Neoliberal economics has dominated policy for more than 40 years. During that period, economists and politicians have repeatedly told people that markets are efficient, growth is beneficial, and the economy is succeeding.

The reality, however, is that many people do not believe them because that is not what they have experienced. We face a crisis because we have not asked the hard question in economics.

People have experienced the conditions I have described. They do, as a result, feel alienated from the economic system because they, quite reasonably, believe that it has rejected them. Their experience is real, even if the explanations offered to them are sometimes, or even often, false.

The far right exploits this gap. It acknowledges people's anger but directs it towards migrants, minorities, disabled people, neurodivergent people and others who did not create the problem. It provides false explanations for real suffering.

Economics cannot answer this reaction by producing more statistics showing that GDP has risen. Nor can it dismiss those drawn to the far right as simply ignorant, prejudiced or irrational. Prejudice must be opposed, but the alienation on which it feeds must also be understood.

Unless economics engages with people's lived experience, it cannot explain why they reject a system that economists tell them is working.

Thriving is the hard problem

I have argued that the purpose of an economy is to meet the needs of everyone while enabling them to thrive within the environmental limits of our planet. The distinction between the easy and hard problems of economics reinforces that claim.

Growth is an easy problem in the Chalmers sense. We know how to measure it, however imperfectly. We know many of the mechanisms that can produce it. Governments can increase spending, businesses can invest, and banks can create credit. More transactions can be generated, and GDP can rise. But growth tells us almost nothing about whether people thrive.

Thriving is the hard problem because it concerns lived experience. It includes material security, but it cannot be reduced to income. People need food, housing, healthcare, education and sufficient resources to participate in society. They also need time, dignity, meaningful activity, social connection, personal autonomy, safety and hope. No

single statistic can capture all of that.

That does not mean thriving cannot be assessed. It means we must stop looking for one supposedly objective number that can replace human judgement. We need a range of measures covering health, housing, income security, inequality, access to public services, working conditions, leisure, democratic participation and environmental sustainability.

Those measures must also show distribution. An average conceals who gains and who loses. A country cannot meaningfully be said to thrive if a small minority accumulates extraordinary wealth while millions live with anxiety and insecurity.

Objective indicators are not enough, either. We must ask people about their lives. Do they feel secure? Do they have control over their time? Can they obtain help when they need it? Do they believe their children have a future? Do they feel respected and included? Do they have the opportunity to contribute? And we must heavily publicise the findings and put them at the epicentre of economic discussion.

This is not an abandonment of economics. It is economics taking its purpose seriously. The goal of economics cannot be to maximise activity regardless of its consequences. Nor can it be to perfect the measurement of a system whose outcomes an increasing number of people experience as hostile.

The goal of economics must be to understand how we can use the resources available to us so that everyone's needs are met, and all have the opportunity to thrive.

Measurement matters. Systems matter. Money, tax, investment and production all matter. I have written about all of them. They matter to me. But they are still means and not ends.

Growth asks how much economic activity we have created, without considering consequences.

Thriving asks what that activity has done for people.

Growth is the easy problem.

Thriving is the hard one.

And unless economics addresses the hard problem, it will keep providing precise answers to questions that increasing numbers of people are no longer asking.