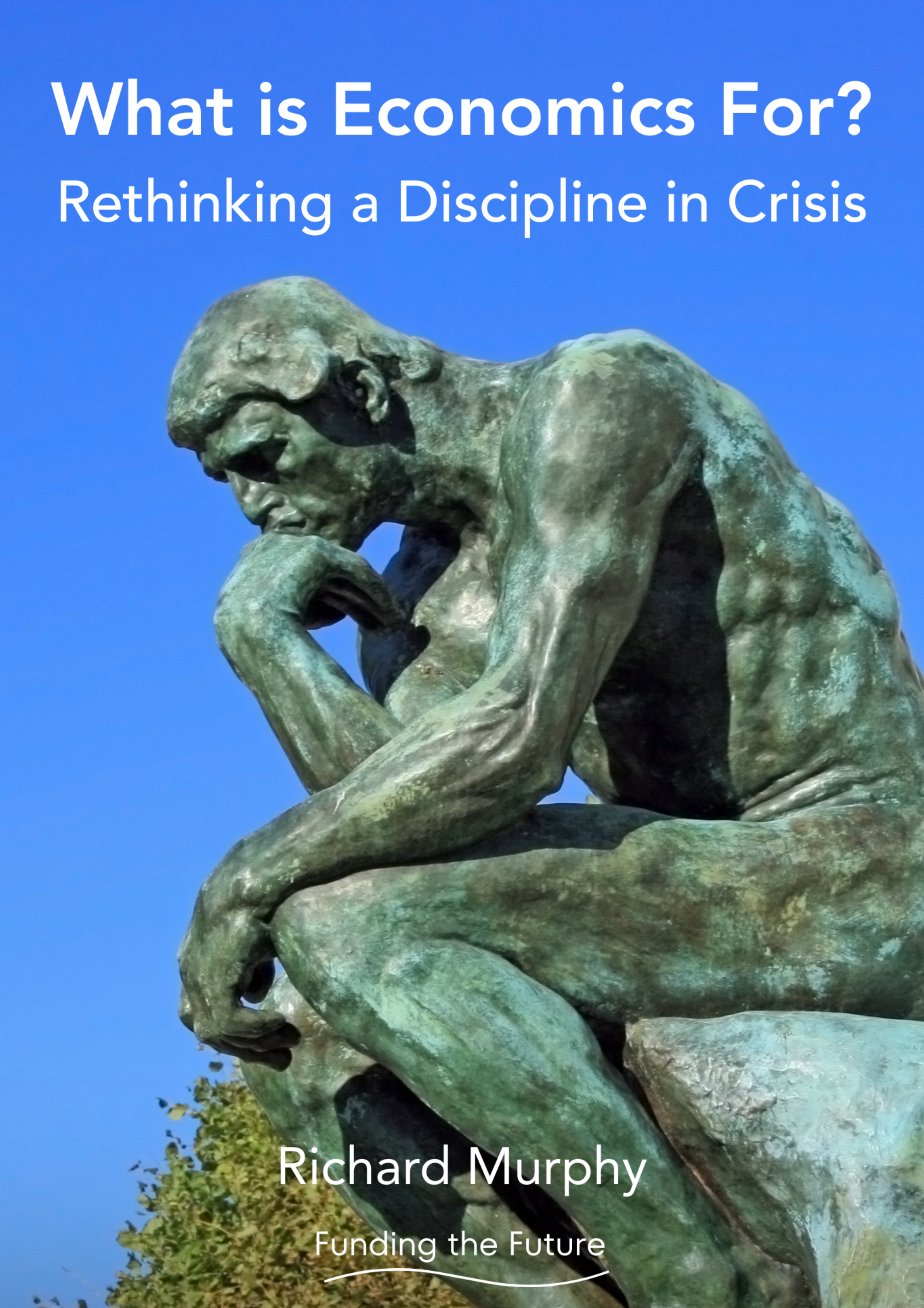
What is Economics For?

Rethinking a Discipline in Crisis



Richard Murphy

Funding the Future

What Is Economics For?
Rethinking a Discipline in Crisis

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Richard was formerly a Professor of International Political Economy at City, University of London.

As a co-founder of the Tax Justice Network, he created the country-by-country reporting system that has transformed how multinational corporations are taxed, ending their abuse of tax havens. He was ranked as high as 7th in the world on global tax influence by International Tax Review for his work on this and other tax reform issues during the 2010s.

Richard combines practical and real-world experience in economics, political economy, accounting and tax, which he uses to explain how he thinks the real-world works, with a particular bias towards meeting the needs of those outside the top 10% of income earners and wealth holders.

Foreword

The introduction to this book, which follows this foreword, explains how the book came about and what questions it seeks to address.

In this foreword, I want to thank those who have helped this book come about.

The regular Funding the Future blog commentator who posts under the name Pilgrim Slight Return, and who is often known as PSR as a result, provided the original inspiration for this series and did, in fact, suggest the first two people to be included within it. They are Mark Carney and Henry Ford. Thereafter, I saw the potential in the idea he had created and, as a result, developed it to include those people who had influenced my own thinking over a period of 50 years.

My wife, Jacqueline, did, as ever, comment upon and contribute to my thinking on this series as it developed.

My son, James, prepared the first version of this collection based upon the posts on the Funding the Future blog, and then tried to deliver consistency of formatting, which was quite a task.

Thomas Murphy then contributed the cover.

My thanks go to all of them, and to all of those who commented on this series during the course of its production on my blog, many of whom suggested that I had introduced them to thinkers of whom they were unaware, and who provided favourable comment and encouragement as a consequence. As a writer, I appreciate feedback and the awareness that somebody has read what I have bothered to create. Anybody who writes seriously would be dishonest if they said otherwise.

That said, I accept the blame for everything else, and the omissions that I have made. I already realise that there are people whom I would now like to add to this series, and it is not impossible that a second volume might be produced in due course. But, saying that, one of the criteria for inclusion was that I was sufficiently familiar with the work of the person I was talking about to feel confident that I could write a fair commentary upon it, even if I was always abstracting a particular theme from their work as the basis for what I wrote.

I do realise now that there are quite a lot more people in that category, but the number is not unlimited. If you have further suggestions, please feel free to send them to me, but I stress that I will only write about people whose work I know.

This, however, brings me to my final note of thanks, and that is to all the people who have read this series, this book, and my work on the Funding the Future blog and elsewhere, many of whom I will never know. Despite that, I appreciate you being there.

I have been blogging for 20 years now, and my blog has had 51 million viewws, and my YouTube channel has had 49 million. These are staggering numbers, but in a very real sense I appreciate every single engagement, whether I am aware of it directly or not. Writing and creating is a process of creating an idea and then throwing it out into the world to see what happens to it. Everyone referred to in this book did just that. I hope I have done them justice.

I offer you, and them, my thanks as well.

Richard Murphy

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Introduction

Economics is supposed to explain how the world works. It does not. Or rather, it explains how a particular version of the world works, which is one that suits those who benefit most from the arrangements it describes and defends.

This book is an attempt to do something different. Over the past fifty years, since I first sat down to study economics as an undergraduate, I have been wrestling with a discipline that seemed to me, even then, to be asking the wrong questions in the wrong way for the wrong reasons. The intervening decades have not changed that view. If anything, they have confirmed it.

What I have done here is return to the questions that economics should always have been asking but largely has not. I have done so by taking fifty thinkers economists, philosophers, historians, scientists, and moral reformers, who have in come way influenced by own thinking for better or worse over that time and asked what the most important question raised by each of them might be, and what answering it honestly would require of us today.

These are not comfortable questions. They are questions about justice, power, money, democracy, and the limits of the planet we inhabit.

They are questions about why;

- we tolerate poverty in wealthy societies,
- why we allow finance to destabilise the lives of ordinary people,
- why we pretend that the household budget of a currency-issuing government is the same as a family trying to make ends meet at the end of the month, and
- why we have built a global economy that is consuming the conditions of its own survival.

The thinkers gathered here span millennia and traditions. Some are celebrated insiders; others spent their careers as awkward voices that mainstream economics found it convenient to ignore. Some I agree with almost entirely; others I have included precisely because I believe their errors are instructive. All of them, in their different ways, illuminate something that the dominant economics of our age prefers to leave in the dark.

The book is organised as a journey — from the moral foundations of economics, through its origins as a discipline, through the realities of capitalism and the failures of the frameworks designed to manage it, to the thinkers who have tried to imagine something better. It ends with me. That was not my original intention. It was suggested by colleagues whose judgment I trust, and I have accepted their case, not out of vanity, but because this series, in the end, is about where fifty years of thinking has led, and it seemed honest to say so.

Each chapter asks a question. I believe these are the questions that matter most. Whether economics, as currently practised, can answer them is another matter. My view, which will become clear enough as you read, is that it mostly cannot — not because the questions are too hard, but because answering them honestly would require the discipline to confront the interests it has spent too long serving.

That is what this book is for.

How this series developed

As I mentioned in the foreword to this book, it grew out of comments on my blog by the regular commentator who posts under the name Pilgrim Slight Return, or PSR. He suggested a series on economic questions posed by serious thinkers and asked what an appropriate response might be.

The idea morphed into the series that now makes up this book, but in doing so I sought to develop a methodology to speed the process.

I spent some time playing with that idea because it occurred to me that this was a situation where AI could help hone a very precise question about what the essence of a person's thinking might be and how that could then be contextualised.

Playing around with that idea took a while until I came up with a structure for the desired result that I was happy with. That process helped produce the consistency of presentation in this volume.

However, I stress that I chose all the subjects except the first two, Mark Carney and Henry Ford, who were chosen by PSR, and I always selected the questions based on my prior knowledge of a person's work.

And then, as usual with anything from AI, I found that everything needed a thorough edit and refinement before it was useful, let alone publishable. Nonetheless, it is only appropriate that I acknowledge the use of this process in the writing of this collection.

Chapter 1: What is an economy for?

Introduction

Before we can assess whether an economy is working, we need to know what it is supposed to be doing. That sounds obvious. Economics, however, has spent most of its modern history treating the question as settled — or, more precisely, as beneath serious consideration. The discipline assumed its purpose, whether the world agreed with it or not, and got on with its modelling.

This chapter refuses that evasion. It begins where economics should always have begun, with moral questions:

- What do we owe one another?
- What does a decent society look like?
- What is the relationship between freedom and security, between rights and resources, between the individual and the collective?

Thomas Paine understood that political liberty was hollow without economic security, meaning that a citizen who must beg for work or fears destitution is not free in any meaningful sense.

John Rawls turned that intuition into a philosophical test: design the rules of society without knowing in advance where you will end up within it, and see what you would choose.

John Ruskin looked at Victorian prosperity and refused to celebrate it, insisting that wealth built on degraded labour and a despoiled environment was not wealth at all but its opposite.

William Beveridge took that moral seriousness into the machinery of government and demonstrated in the middle of a war that the abolition of want, disease, ignorance, squalor, and idleness was not an aspiration but an administrative possibility.

Erich Fromm argued that the psychological damage inflicted by modern economic life - the anxiety, the isolation, the substitution of consumption for meaning - was not incidental but structural, built into the way the system was organised.

Viktor Frankl, writing out of an extremity that none of the others experienced, made the point that underpins all the others: human beings can endure almost any material hardship if their lives feel purposeful, and may collapse even in comfort if they do not. An economics that cannot account for that is not describing human beings at all.

Jesus of Nazareth placed the poor, the sick, and the excluded at the centre of moral concern in a world that placed them at the margins, and his insistence that a society be judged by how it treats its least powerful members remains one of the most searching critiques of any economic order that tolerates inequality whilst claiming moral legitimacy.

Thomas Hobbes rounds out the chapter as a reminder that the alternative to strong, accountable institutions is not freedom but fear, and that those who invoke markets as a substitute for public authority have not read him carefully enough.

These are not fringe perspectives. They are, in their different ways, amongst the most serious attempts in the history of ideas to think about what an economy is actually for. The fact that mainstream economics has largely set them aside tells us a great deal about whose interests that discipline has come to serve.

The questions in this chapter are uncomfortable because they are foundational. They do not ask how to tweak the system. They ask whether the system, as it stands, can be morally defended at all.

1. The Thomas Paine question

Thomas Paine was one of the most radical minds of the eighteenth century. He was a man whose writings helped ignite the American Revolution, inspired democratic uprisings across Europe, and challenged the very foundations of monarchy, hierarchy, and inherited privilege. Yet Paine was not only a political revolutionary; he was also a visionary of economic justice. In *Rights of Man* and *Agrarian Justice*, he argued that true freedom could not exist in a society where people lacked the means to live decently.

For Paine, the greatest threat to liberty was the economic insecurity that made ordinary people vulnerable to exploitation, dependency and fear. Political rights, he insisted, are hollow when those who supposedly possess them are denied the material conditions necessary to exercise them.

Hence, the Thomas Paine Question: ***If political liberty is meaningless without economic security, why do we still pretend that freedom can exist alongside poverty, dependence and deprivation?***

Freedom requires independence

Paine insisted that freedom was more than the right to vote or speak. It required independence, or the ability to stand on one's own feet, free from domination. A citizen who must beg for work, who fears starvation, or who lives at the mercy of a landlord or employer is not free in any meaningful sense.

He recognised that economic precarity breeds subservience. Those dependent on the goodwill of the wealthy cannot challenge injustice. They cannot refuse exploitation. They cannot speak truth to power. Paine therefore argued that the first duty of a democratic society is to protect its citizens from the vulnerabilities that make them easy to dominate.

The moral claim of the dispossessed

In *Agrarian Justice*, Paine proposed something astonishing for his time: a system of universal payments funded by taxing accumulated land wealth. He argued that land, as a gift of nature, belonged to everyone in common, and that private property in land was legitimate only if society compensated those who had been excluded from its benefits. That compensation was to take the form of a universal endowment for young adults and pensions for older people — a proto–basic income designed to secure dignity and independence.

This was not charity. It was justice. Paine believed that society owed its members the means to live free lives. Without such provision, he argued, the promise of equal rights was a fraud.

The challenge to inherited privilege

Paine's deepest critique was directed at systems that preserved wealth and power through inheritance. He saw hereditary privilege as the root of both political and economic inequality. Whether in monarchy, aristocracy, or concentrated wealth, inheritance created classes of people free from work and responsibility, while leaving others trapped in lives of drudgery.

For Paine, influenced as he was by his own involvement in the French Revolution, a society claiming to honour equality could not tolerate such arrangements. Wealth unearned and unaccountable was a threat to liberty because it conferred power without merit. Democracies, he insisted, must continually dismantle the structures that allow some to dominate others through inherited advantage.

Democracy as a social contract of care

Although Paine is often regarded as a champion of individual rights, he was equally a theorist of collective responsibility. He believed that the purpose of government was to secure the well-being of all, not merely to protect property. A society that left people destitute had failed its most basic duty.

Paine saw democracy itself as an expression of mutual care: citizens acting together to secure the rights and welfare of each other. Public provision was therefore not an intrusion on freedom but its safeguard. Taxation was not confiscation but the collective expression of solidarity.

Why Paine remains radical

Paine's relevance today is unsettling. He argued that liberty cannot coexist with inequality so significant that it denies people independence. He insisted that society has a duty to provide economic security to all. He proposed mechanisms designed for this economic era that would redistribute wealth from the fortunate to the vulnerable.

In a world of precarious work, low wages, unaffordable housing, insecure care, and extreme wealth concentration, Paine's claims are a direct challenge to the modern neoliberal order. They expose the contradiction of societies that proclaim freedom while tolerating conditions that render citizens powerless.

What answering the Thomas Paine Question would require

To take Paine seriously would require turning the rhetoric of freedom into a material reality. At minimum, that would demand:

- Securing economic independence, ensuring that every citizen has the means to live without fear or dependence through universal services, income support and public investment.

- Confronting concentrated wealth by taxing unearned advantage, inheritance, and rentier income so that power cannot accumulate without accountability.

- Recognising public provision as liberty-enhancing by treating health, education, housing, and care as the foundations of freedom, and not as optional expenses.

- Restoring democratic purpose, using government not as an umpire of markets but as the guarantor of equal standing and dignity.

- Embedding economic rights alongside political ones, acknowledging that rights mean little if people lack the capability to exercise them.

These are not reforms around the edges. They are the conditions of a democratic republic worthy of the name.

Inference

The Thomas Paine Question exposes a contradiction at the heart of modern liberal democracy. We celebrate supposed political liberty while maintaining economic structures that deny millions the independence required to make liberty real. Paine insists that freedom must be supported by material security, that rights must be backed by resources, and that equality must be sustained through public duty.

His challenge is as radical today as in the eighteenth century. If we claim to value liberty, we cannot maintain an economy built on precarity, rent extraction, inherited privilege, and structural insecurity.

To answer his question is to rebuild democracy on the foundations he set: freedom not as a legal fiction, but as a lived reality shared by all.

2. The John Rawls question

John Rawls's *A Theory of Justice* (1971) redefined moral and political philosophy for the modern age. In a century when economics had displaced ethics, Rawls reintroduced a simple but powerful idea: that of fairness.

He asked us to imagine a "veil of ignorance." Behind that veil, we do not know who we will be. We have no idea if we might be rich or poor, healthy or sick, powerful or powerless. He then asked if, knowing only that we will have to live under whatever rules we choose, what kind of society would we design?

Rawls believed that rational people behind this veil would not choose a system that leaves most in poverty so that a few might prosper. They would, instead, design institutions that guarantee basic rights for all, ensure opportunity, and allow inequality only when it benefits the least advantaged.

It was a profound moral test, and one that economics has largely failed, whether before or after he wrote. Hence, we get the Rawls Question: ***if a just society is one we would choose without knowing our own position in it, why do we tolerate an economy we know to be unjust?***

Justice as fairness

Rawls's project was to rescue liberalism from moral emptiness. He accepted that individuals differ in talent, luck, and circumstance. But justice, he argued, demands that those advantages work for everyone. Inequality could be tolerated only if it improved the situation of the least well-off, which is what he called the difference principle.

This was not socialism; it was moral realism. It recognised that fairness requires more than formal equality. It requires a structure of opportunity and security that allows every person to flourish.

In Rawls's world, liberty and equality were not enemies but partners. Freedom meant little without fairness.

The moral poverty of economics

Where Rawls built a theory of justice, economists constructed instead a theory of efficiency. The market became the moral arbiter in that model: distribution was treated as secondary, to be corrected (if at all) after production. In this form of economics, inequality was explained away as an incentive, and poverty as personal failure.

Economists adhering to such ideas might claim that markets reward productivity, but, as Rawls would see it, they mainly reward position, which is the luck of birth, inheritance, and circumstance. Behind the veil of ignorance, he argued, no one would design a system that makes housing, healthcare, and security luxuries of class and yet that is precisely what we have. We have, in effect, built an economy that fails Rawls's test at every level.

The myth of meritocracy

Rawls did not reject inequality, but he exposed the myth that it reflects merit. Natural talent, family wealth, and social capital are all arbitrary from a moral point of view. We cannot, he said, claim rewards for the lottery of birth. The purpose of a just society is to neutralise, not magnify, those accidents, yet the modern meritocracy does the opposite. It converts privilege into entitlement and wealth into virtue. Behind its rhetoric of opportunity lies a rigged game in which the winners design the rules and the losers are blamed for losing. Behind the veil of ignorance, who would choose that?

The political capture of fairness

Rawls's theory implied an active, redistributive state; not a leviathan, but a guarantor of fairness. That requires progressive taxation, public education, universal healthcare, and social insurance. But since the 1980s, neoliberal politics has reversed that order. Taxes have been cut at the top, welfare eroded, and public services hollowed out. Fairness has been rebranded as dependency; solidarity as inefficiency. The very concept of justice as fairness has been replaced by the cynicism of markets as morality.

This is the moral failure of our time: to know what justice requires and to choose its opposite.

The Rawlsian test today

If we applied Rawls's veil of ignorance today, would anyone design a society where:

- The richest 1% own more than half of all wealth?
- Access to housing depends on speculation?
- A child's education is determined, more than anything else, by their postcode?
- Health outcomes largely mirror income?

No one would, and yet we knowingly preserve this world. That is the scandal Rawls forces us to confront.

What answering Rawls requires

To answer the Rawls Question is to rebuild politics on the foundation of fairness. It requires:

1. Progressive taxation that funds universal rights and limits inherited privilege.
2. The provision of universal public goods such as health, education, care, and housing as the precondition of liberty.
3. Democratic renewal so that citizens are empowered to shape institutions rather than being ruled by markets.
4. Moral education so that a public understanding that justice is not charity, but the condition of freedom, is created and nourished.

Inference

The Rawls Question cuts to the heart of our collective hypocrisy. We know, behind the veil of ignorance, what justice demands, but we simply refuse to enact it. We choose systems that reward advantage, punish disadvantage, and then call the result inevitable.

Rawls offered a moral mirror. It shows that fairness is not utopian but rational and that its existence is the only basis on which a diverse society can coexist in peace.

The tragedy is that we have allowed economics to replace ethics, and efficiency to eclipse justice. The task, then, is simple but radical: to rebuild the economy as if fairness mattered.

Behind the veil of ignorance, we would all choose it. In front of it, we have forgotten how.

3. The John Ruskin question

John Ruskin (1819 - 1900) wrote at the height of Britain's Victorian industrial transformation. He lived through the period when railways tore through landscapes, factories reshaped cities, transforming agriculture at the same time, and when industrial capitalism first revealed both its immense productive power and its brutal human and environmental costs. This was an age that celebrated progress in iron, coal, steam and finance and measured success almost exclusively in output, trade and wealth accumulation.

Ruskin was trained as an art critic and historian, but he never confined himself to a single discipline. He moved easily between aesthetics, ethics, political economy and social reform because he believed these could not be separated. What disturbed him was not industrialisation itself, but the way Victorian society had begun to worship production while becoming blind to destruction. The new economy generated unprecedented riches, and yet it was clear that it also produced polluted rivers, disfigured landscapes, slum housing, exhausted workers, child labour, and widespread ill health. These harms were not accidents. They were integral to how the new wealth of the era in which he lived was being created.

It was in this context that Ruskin coined the deliberately jarring term illth. He did so because the language of economics had no word for what he was seeing. Everything that produced money was being counted as wealth, regardless of its consequences. Ruskin recognised that this linguistic and philosophical failure was not neutral. If an economy cannot name harm, it will reward it. Illth was his attempt to restore moral and material clarity and to insist that wealth gained through damage is not wealth at all, but its opposite.

Illth was not a rhetorical flourish. It was, at its core, an accounting intervention. Ruskin was arguing that an economy can expand numerically while impoverishing society in reality and that unless economics learns to distinguish between life-enhancing and life-destroying activity, it will systematically mislead both policymakers and citizens.

Hence the John Ruskin Question: *If economic activity can generate "illth" — wealth that destroys life — why does modern economics still treat all growth as progress and all income as gain?*

Illth as the mirror image of wealth

Ruskin defined wealth as that which sustains and enriches life. He argued that anything that undermines health, dignity, community or nature could not be wealth, no matter how profitable it appeared. Illth was therefore not the absence of wealth but its negation: money gained at the expense of life itself.

This distinction undermines a central assumption of modern economics, which is that value is always revealed by price. Ruskin insisted that price can disguise harm. Pollution, dangerous labour, shoddy housing, environmental destruction and social breakdown can all be profitable. That profitability does not redeem them. It condemns them.

Illth is what results when markets reward harm faster than society can recognise it.

Why economics cannot see illth

Modern economics struggles with illth because its core metrics cannot register it. GDP rises when forests are felled, when illnesses are managed rather than cured or even prevented, when disasters require reconstruction, and when insecurity is monetised. The accounting systems of both the private and state sectors record activity, but not consequence, and most definitely not value.

Ruskin saw this clearly. An economy obsessed with throughput will count damage as success as long as money changes hands. Illth flourishes precisely because it looks like growth. This is not a technical oversight. It is a moral failure embedded in measurement.

Labour degraded, wealth corrupted

Ruskin, like many concerned people of his period (of whom Dickens and Trollope are other examples), placed labour at the heart of his critique. He argued that work that degrades the worker, whether through physical, mental, or moral exploitation, produces illth, even if it produces profit. A system that relies on exhaustion, monotony, precarity or danger is not productive. It is extractive.

This insight prefigures later critiques (such as those of David Graeber and Guy Standing) of alienation, precarity and burnout. Ruskin understood that when labour is treated purely as a cost to be minimised, the economy consumes human beings as fuel. The result is not prosperity but decay.

Illth accumulates in broken bodies, hollowed skills and diminished lives.

Environmental destruction as illth creation

Ruskin was an early environmental thinker, not because he romanticised nature, but because he understood its economic role. Nature sustains life. To destroy it for short-term gain is to liquidate the foundations of future prosperity.

Polluted rivers, scarred landscapes, poisoned air and degraded ecosystems may coincide with rising incomes, but they represent a net loss. Ruskin would have recognised modern climate breakdown as the ultimate expression of illth: the conversion of planetary stability into private profit.

An economy that cannot distinguish between income and ecological ruin is not miscalculating. It is self-destructing.

Illth and inequality

Illth is not evenly distributed. Its benefits accrue to those with power; its costs are imposed on those without. Poor housing, unsafe work, polluted environments and social insecurity disproportionately affect the least wealthy.

Ruskin saw inequality as both a cause and a consequence of illth. Concentrated wealth allows harm to be outsourced. Distance insulates the beneficiaries. The economy appears successful precisely because its costs are hidden, displaced or deferred.

Illth thrives in unequal societies because those who profit are shielded from what they destroy.

Why illth persists

Illth persists because it is politically convenient. It allows growth narratives to continue without confronting damage. It permits elites to celebrate success while denying responsibility. It transforms harm into externality and calls it efficiency.

Ruskin understood that an economy which cannot name illth cannot govern itself. Once damage is excluded from accounting, there is no internal brake on destruction. The system accelerates until it collides with physical or social limits.

What answering the John Ruskin Question would require

To take illth seriously would require a fundamental reorientation of economic thought and policy. At minimum, that would involve:

- Explicitly identifying illth by recognising activities that generate social, human or ecological harm as economic negatives, regardless of profitability.

- Reforming national accounting by moving beyond GDP to measures that distinguish life-sustaining activity from life-destroying activity. Positives and negatives have to be recognised as such.

- Embedding labour dignity as an economic criterion by treating degrading work as economic failure, and not as efficiency.

- Accounting for ecological damage as capital destruction, not as an external cost.

- Reframing inequality as systemic risk, because illth concentrates harm and destabilises society.

- Reasserting moral judgment in economics and acknowledging that not all income is legitimate and not all growth is good.

These steps would not moralise economics. They would make it honest, and the accounting true and fair.

Inference

The John Ruskin Question forces us to confront a truth that modern economics has spent two centuries evading: some supposed wealth makes us poorer. Illth is not a fringe concept. It is everywhere: in environmental collapse, degraded work, social fragmentation and rising insecurity, all coexisting with rising monetary output.

Ruskin saw that an economy which cannot distinguish between wealth and illth will eventually destroy the conditions of its own existence. His warning was not sentimental. It was forensic. We now see all the evidence to learn from what he had to say, all around us.

To answer his question is to accept that economics must once again learn to tell the difference between gain and damage and stop rewarding the latter in the name of progress.

4. The William Beveridge question

William Beveridge was not a revolutionary. He was a careful civil servant, a statistician, an academic, a liberal reformer and a Liberal politician. Yet the impact of his 1942 report, *Social Insurance and Allied Services*, was revolutionary nonetheless. In the midst of war, with Britain exhausted, indebted and under bombardment, Beveridge articulated a vision of social security so comprehensive and so morally compelling that it reshaped the British state for a generation.

Beveridge identified five "Giant Evils" that modern society must confront if it is to be just, describing them as:

- Want
- Disease
- Ignorance
- Squalor, and
- Idleness.

His argument was not abstract. It was practical, administrative and rooted in lived experience. Poverty, he argued, was not a moral failing but a systemic risk. Insecurity, he argued, was not inevitable; it was a consequence of policy choices.

The Beveridge Report promised something radical in its simplicity: that a wealthy society could guarantee its citizens freedom from fear of:

- hunger,
- illness,
- unemployment,
- old age, and
- destitution.

Hence the William Beveridge question: *If a society knows how to abolish want, why does it repeatedly choose to tolerate insecurity, inequality and preventable hardship instead?*

Security as the foundation of freedom

Beveridge rejected the idea that freedom exists in the absence of state support. On the contrary, he argued that true freedom depends on security. A person constantly at risk of poverty cannot plan, participate or flourish. Insecurity narrows horizons and corrodes civic life.

Social insurance was, therefore, not charity. It was a collective investment in freedom. By pooling risk across society and across the life course, the state could ensure that misfortune did not become catastrophe. This insight remains foundational, and routinely ignored by those who equate freedom with the absence of government.

Universality, not stigma

One of Beveridge's most important design principles was universality. Benefits should be available to all as a right, not dispensed selectively as a favour. This was not just administrative efficiency; he made it clear that it was a moral necessity.

Means-testing, Beveridge knew and so asserted, creates stigma, complexity and exclusion. In contrast, universal systems create solidarity. They embed the idea that social security is something we all contribute to and may all need. The post-war welfare state drew its legitimacy from this principle, and its erosion has tracked the erosion of trust ever since.

The post-war settlement — and its unravelling

For a time, Beveridge's vision worked. The welfare state dramatically reduced poverty, improved health outcomes, expanded education and stabilised society. It underpinned decades of rising living standards and social cohesion. In doing so, it provided something else: a sense of social stability and cohesion that the UK had never previously enjoyed.

However, from the late 1970s onward, this settlement was dismantled. Social security was reframed as dependency. Public provision was cast as inefficiency. Collective risk-sharing was replaced with individual responsibility, regardless of circumstance.

The result was predictable: rising insecurity, widening inequality, and the return of the poverty that Beveridge thought had been banished.

Beveridge versus austerity

Beveridge believed the state had a duty to maintain full employment. Work was not just income; as far as he was concerned, it was also about dignity, participation and purpose. Austerity policies that tolerate mass unemployment would have been anathema to him.

Yet modern governments routinely accept unemployment, underemployment and precarity as usual, and even necessary. Simultaneously, they treat social security as a cost to be minimised rather than a stabiliser to be strengthened. In doing so, they recreate the very conditions Beveridge sought to eliminate.

The moral failure of "we cannot afford it"

Perhaps the most pernicious modern argument against Beveridge's vision is that it is unaffordable. This claim collapses under scrutiny. Wealth has grown enormously since 1942. Productivity has soared. Resources exist.

What has changed is the distribution of wealth and the political will to use it for public purposes. The refusal to fund social security adequately is not an economic necessity but a choice: to prioritise low taxes on wealth, permissive corporate regulation, and financial accumulation over social protection.

Beveridge would have recognised this immediately. Want persists not because it is unavoidable, but because it is tolerated.

What answering the William Beveridge Question would require

To take Beveridge seriously today would require more than nostalgia. It would require rebuilding the social foundations he believed essential to freedom. That would mean:

- Restoring universality, moving away from punitive means-testing toward rights-based provision.

- Guaranteeing income security, ensuring that no one falls below a socially acceptable standard of living.

- Recommitting to full employment, using fiscal policy to ensure work is available for all who want it.

- Investing in public services, health, education, housing and care as social infrastructure, not market commodities.

- Reframing welfare as collective insurance, not as failure, but as mutual protection across the life cycle.

These are not radical demands. They are the logical extension of a society that claims to value dignity.

Inference

The William Beveridge Question exposes one of the deepest hypocrisies of modern political economy. We live in societies far richer than the one Beveridge addressed, yet we tolerate levels of insecurity he would have found morally indefensible. We possess the knowledge, institutions and resources to abolish want, and yet choose not to.

Beveridge reminds us that poverty is not a natural condition. It is a policy outcome. Social security is not a burden on society but a precondition for its health.

To answer his question is to accept a simple truth we once understood: a civilised society does not ask whether it can afford to protect its people; it asks whether it can afford not to.

5. The Erich Fromm Question

Erich Fromm is often presented as a critic of capitalism, a psychoanalyst of consumer society, and a writer on alienation and fear. That is all true. But it misses the sharpest point of his work. Fromm believed that a diagnosis without a remedy is an evasion. The question he repeatedly returns to is not merely '*why are we sick?*', but '*what do we do now?*' That question might be summarised as *'What to do?'*

In '*The Sane Society, To Have or To Be?*', and elsewhere, Fromm argues that modern economic life systematically undermines the conditions for human flourishing.

It replaces genuine freedom with market discipline.

It replaces love with possession.

It replaces meaning with status.

And it replaces security with chronic uncertainty.

He insists this is not a private tragedy; it is a structural failure. Societies that produce mass mental distress are not healthy societies, no matter how wealthy they appear.

Fromm, therefore, forces political economy into the realm it too often tries hardest to avoid: ethics, mental health, and the purpose of life.

Hence the Erich Fromm Question: ***If we can see that modern society is making people anxious, isolated and psychologically unwell, what are we going to do about it, and why does our political economy seem incapable of even asking the question?***

The refusal to ask the right question

Fromm's first claim was brutal in its simplicity. He suggested that modern societies often treat symptoms as individual failures rather than social outcomes.

Depression becomes a personal weakness.

Anxiety becomes bad coping.

Loneliness becomes a lifestyle.

Burnout becomes a lack of resilience.

Fromm insisted that we should reverse our questioning of causality. His suggestion was that if millions are suffering, the issue is not their inadequacy but the system's design. He argued that a society that normalises distress is not neutral but is organised in a way that generates distress.

So '*what to do?*' begins with a refusal: a refusal to accept that mass suffering is natural, inevitable, or private.

A sane society must be designed

Fromm's '*what to do?*' is anchored in a radical proposition, which is that sanity is not merely psychological, it is social. A sane society is one that produces people who can love, reason, cooperate and feel secure enough to be free.

That means sanity cannot be reduced to therapy. It is a political economy question. It depends on how:

- work is organised,
- housing is secured,
- care is distributed,
- inequality is tolerated,
- people are valued,

and whether life is treated as sacred or expendable.

Fromm's critique is not that capitalism creates unhappiness incidentally, but that it often requires it, because anxious, status-driven people are profitable.

The shift Fromm demands: from "having" to "being"

Fromm's central prescription is cultural and economic: societies must shift from the mode of *'having'* (ownership, status, control, consumption) to the mode of *'being'* (relationship, creativity, solidarity, meaning).

This is not a lifestyle slogan. It is an economic programme. A society oriented to 'having' will:

- commodify everything it can,
- treat nature as a store of inputs,
- treat people as market actors,
- treat worth as measurable in money.

A society oriented to 'being' will instead treat:

- care as essential infrastructure,
- leisure as human necessity,
- community as wealth,
- nature as belonging, not property.

This is Fromm's '*what to do?'* at its heart: we should redesign economic life to support human development rather than market addiction.

The problem of freedom: we fear it

Fromm's earlier argument in '*Escape from Freedom'* becomes central here. His argument is that many people say they want freedom, but emotionally struggle with it. Freedom is uncertain. It demands responsibility. It exposes loneliness. It removes excuses.

So people often flee freedom into conformity:

- obedience,
- consumption,
- bureaucracy,

- authoritarianism,
- identity tribes.

This is why '*what to do?*' cannot just be institutional reform. It must also be moral and educational reform to help people become capable of freedom rather than to merely be consumers, trained to comply.

Fromm's point is uncomfortable: political economy fails when character fails, and the society we live in does not want character to develop.

Work: the pivot of reform

Fromm places enormous emphasis on work, because it is where the economy most directly shapes the soul. He argued that work can be:

- meaningful,
- cooperative,
- creative,
- socially valuable.

Or it can be:

- humiliating,
- alienating,
- insecure,
- empty.

Fromm insists that a society organised around profit extraction will degrade work, because it treats labour as a cost. A society organised around human development must treat work as a human activity, not an industrial input.

His '*what to do?' does,* therefore, include an implicit demand, which is that we redesign work so that people are not broken by the economy that claims to serve them.

What answering the Erich Fromm Question would require

Fromm's '*what to do?*' is not technocratic. It is transformational. It would require at least that:

- Economic security becomes a baseline, meaning that no one is trapped in fear of hunger, homelessness or medical catastrophe.
- We revalue care, not as a private burden but as the central public good.
- We place limits on inequality because extreme wealth concentrations produce submission, envy, resentment and civic collapse.
- Life be democratised, meaning that democracy be understood as something much more than voting, but that it be integrated into life by granting people a voice in workplaces and communities.
- Human worth must be decommodified, requiring that education, health, dignity, and belonging must not depend on market success.
- There must be cultural resistance to consumerism by replacing status competition with social purpose.

These steps do not reject economics. They redefine its goal to become the production of healthy human beings in a stable world.

Inference

The Erich Fromm Question exposes a deep cowardice in modern political economy, which is its refusal to ask what society is for. Fromm insists the proper aim of civilisation is not maximum output but human flourishing, represented by the development of loving, creative, rational, and secure people capable of freedom.

'*What to do?*' therefore becomes a test of seriousness. If we continue to organise society in ways that produce mass alienation and psychological harm, it is not because we do not know better. It is because we are afraid to challenge the institutions that profit from sickness.

Fromm's '*what to do?'* is ultimately simple, and deeply demanding: we must build an economy that makes sane lives possible.

6. The Viktor Frankl Question

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.

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 have I included Viktor Frankl in this series? I have done so because he asks a question that economics almost never confronts, which is what gives human life meaning?

In Man's Search for Meaning, Frankl argued that people are not primarily motivated by wealth, pleasure, or consumption but by the search for purpose. That insight does, of course, expose a profound weakness in much modern economics, which assumes that human well-being can largely be understood through income, utility, and material consumption. Frankl's work suggests that this assumption is fundamentally mistaken: people can endure extreme hardship if they believe their lives have meaning, while material comfort alone does not prevent despair.

This matters for economics because it changes the question the discipline should be asking. If meaning, purpose, and contribution are central to human flourishing, then the goal of an economy cannot simply be growth or rising consumption. Instead, economic systems should be judged by whether they create the conditions in which people can live purposeful lives, whether through meaningful work, care for others, participation in society, or delivering security about the future.

Frankl, therefore, belongs in an economic questions series because he reminds us that the real issue is not how much an economy produces, but whether it helps people live lives that matter.

Viktor Frankl was not an economist. He was a psychiatrist, a survivor of the Nazi concentration camps, and the founder of logotherapy, which is a form of psychology centred on the search for meaning. His most famous book, *Man's Search for Meaning*, is often read as a personal testimony. It is that. But it is also something more: a theory of what sustains human beings under extreme conditions, and what destroys them even in comfort.

Frankl's claim is stark: people can endure almost any hardship if they can find meaning within it, but they may collapse even in materially adequate conditions if life becomes purposeless. Meaning is not a luxury. It is a requirement. It is the psychological foundation of resilience, moral agency, and hope.

Once this is understood, economics can no longer pretend that well-being is reducible to income, consumption, or growth. The political economy of any society must be judged by whether it enables its members to live lives that feel worthwhile.

Hence, the **Viktor Frankl Question:** ***If human beings cannot live without meaning, why do we tolerate an economic system that so often deprives people of purpose, dignity, and the chance to matter?***

Meaning is not optional

Frankl argued that the deepest human motivation is not pleasure (as Freud assumed) or power (as Adler assumed), but meaning. People seek reasons to live, reasons to endure, and reasons to act morally, even when doing so carries a cost.

This undermines the consumerist assumption that happiness is simply maximised utility. Humans do not flourish because they have more things. They flourish when they experience connection, responsibility, creativity, love, and contribution.

An economics that models humans as consumption machines misunderstands what humans are.

The economic violence of meaninglessness

Frankl's work draws attention to a form of harm economics rarely recognises: the harm of meaninglessness. When people feel useless, discarded, or irrelevant, they suffer, not metaphorically, but psychologically, physically, and socially.

Modern economic structures often create this condition deliberately by:

- creating work that is monotonous and alienating,
- delivering precarious labour that denies dignity,
- treating unemployment as a personal failure,
- stripping communities of industry and purpose,
- designing social security systems that are intended to humiliate,
- framing education as employability rather than development.

This is not just bad policy. It is about a systematic production of despair.

Dignity as the foundation of meaning

Frankl insisted that meaning is bound up with dignity. People need to feel they matter. They need to feel their lives have value beyond market price.

The tragedy of modern political economy is that it often prices people like commodities. It defines worth through wages. Those paid the least are treated as the least valuable. Those without work are treated as disposable. This is not merely unjust. It is psychologically corrosive. It attacks the very basis of meaning.

Frankl would have recognised this as a civilisational failure: a system that denies dignity undermines the will to live fully.

Freedom and responsibility

Frankl famously argued that even under extreme constraint, humans retain the freedom to choose their attitude and moral response. This is not a sentimental claim; it is a statement about agency. But for Frankl, freedom is inseparable from responsibility. Meaning is often found not by indulging desire, but by taking responsibility for something beyond oneself, whether it be a task, a person, or a cause.

This has direct economic implications. A society that treats people as individual competitors encourages narcissism, anxiety and isolation. A society that structures life around shared responsibility makes meaning possible.

Economics rarely models responsibility. Yet it may be the most important human variable of all.

Suffering and the politics of interpretation

Frankl never romanticised suffering. He did not argue that pain is good. He argued that suffering becomes unbearable when it is meaningless, when it feels pointless, imposed, and humiliating.

This matters because modern societies impose suffering routinely by imposing:

- poverty,
- austerity,
- insecurity,
- homelessness,
- hunger, and
- degrading labour.

They then compound that suffering by framing it as deserved or inevitable.

Frankl would insist this is moral violence: the imposition of hardship without meaning, without dignity, and without a shared commitment to repair.

What answering the Viktor Frankl Question would require

A Frankl-inspired political economy would not treat meaning as a matter of private psychology. It would treat meaning as a social obligation. At a minimum, it would require:

- Creating work with dignity and purpose based upon the contribution a person makes, skills, autonomy and the delivery of social value, and not just profit extraction.

- The creation of economic security because people cannot search for meaning while trapped in fear and insecurity, which is what the current economic system is designed to deliver.
- An end to humiliation as policy. Social security systems, unemployment support, and care systems should be designed to uphold dignity and not punish recipients.

- Community renewal through rebuilding places abandoned by market logic, restoring belonging and collective identity in the process.

- Recognition that the value of labour is not solely represented by wages, requiring that caregiving, volunteering, creative labour, and civic contribution should all be seen as forms of creating meaning and well-being.

- The creation of a politics of care that sees society as a moral project, and not simply as a market arena.

These changes would not make society softer. They would make it survivable.

Inference

The Viktor Frankl Question forces us to confront the emptiness at the heart of modern economic ideology:

- Growth does not guarantee meaning.

- Consumption does not create purpose.

- Markets do not supply dignity.

Many of the greatest harms of contemporary political economy come not only from poverty, but from the feeling of being unnecessary and of having a life without recognised value.

Frankl teaches that the survival of a civilisation depends on more than material provision. It depends on whether people can live lives they find worth living.

To answer his question is to accept a simple truth that economics has forgotten, which is that an economy that cannot give people dignity and meaning cannot sustain itself.

7. The Jesus of Nazareth question

Jesus of Nazareth stands at a strange and revealing crossroads in the history of ideas. He was not an economist, nor a philosopher in the academic sense, and yet his teachings contain one of the most radical moral critiques of economic systems ever articulated. In the world he inhabited — a society marked by imperial domination, crushing debt, dispossession, and stratified hierarchy — he placed the poor, the sick, the excluded, and the burdened at the centre of moral concern. His message directly challenged the idea that wealth signified virtue and that poverty revealed failure. Instead, he insisted that justice began with care, that solidarity outranked status, and that a society should be judged by how it treated its most marginal members.

Hence, the Jesus of Nazareth Question: ***if the measure of a good society is how it treats the least of its members, how can any economics that tolerates neglect, exclusion, and inequality claim moral legitimacy?***

A world shaped by empire and debt

The historical Jesus lived in a political economy structured by Roman imperial extraction, elite landholding, and the crushing weight of personal indebtedness. Farmers lost land to creditors. Families were pushed into servitude. Taxation, tithes, and rents hollowed out subsistence. In this world, poverty was not a moral failing; it was the predictable result of political and economic design. Jesus' repeated return to the themes of release, forgiveness, and reversal was therefore not abstract spirituality but a direct commentary on economic injustice. His call to "release the captives" and proclaim a "year of jubilee" drew on an older Hebrew tradition that recognised the corrosive social effects of spiralling debt and extreme inequality. His message was a challenge to a system built on extraction, hierarchy, and fear.

The inversion of moral worth

One of Jesus' most consistent themes is the inversion of status: the last shall be first; the meek inherit the earth; the poor are blessed; the rich are warned. This was not piety but an explicit moral critique of economic order. In a society where wealth conferred honour, and honour conferred power, Jesus insisted that the true test of a community was whether it upheld the dignity of those without property, privilege, or security. His teaching cut directly against the belief that prosperity was a sign of virtue. Instead, he emphasised that compassion and justice mattered more than accumulation. This inversion exposes the moral emptiness of any system that celebrates wealth while ignoring the suffering that often accompanies it.

Community over competition

Jesus' ethic was rooted in community rather than competition. He taught that relationships — not possessions — form the basis of a fulfilling life. His gatherings broke the social boundaries of class, gender, ethnicity, and purity that structured the ancient world, offering instead a vision of mutual responsibility and shared care. In economic terms, this is a rejection of the idea that individuals flourish in isolation. It asserts instead that human well-being requires solidarity, shared provision, and a willingness to bear one another's burdens. In modern language, he understood that societies disintegrate when competition becomes the ruling principle.

The critique of wealth without responsibility

Jesus' strongest language is directed not at ordinary wrongdoing but at those who accumulate wealth without regard to justice. The parable of the rich fool, the warnings to the rich young ruler, and the denunciations of those who "devour widows' houses" all confront the moral hazards of wealth in a system where poverty is widespread. This is not an attack on wealth per se but on unaccountable wealth: wealth insulated from the obligations of care. In modern terms, it is a critique of rentierism, financial extraction, and the hoarding of resources while others lack the means to live with dignity. His moral stance exposes the contradiction at the heart of neoliberalism: the idea that private gain automatically produces public good.

The politics of compassion

Jesus' focus on healing, feeding, and inclusion was not mere charity. It was a declaration that the structures of society must be arranged so that no one is left outside the circle of care. His teachings imply that compassion is not a private virtue but a public responsibility. In this sense, his vision aligns with the idea that public services — health, housing, education, and support — are expressions of collective moral purpose, not optional extras. To treat people as disposable is, in this framework, to betray the essence of community.

Economics as moral practice

The picture that emerges from Jesus' teaching is that economics cannot be morally neutral. Decisions about taxation, debt, labour, land, and care are always decisions about justice. They shape who is safe and who is vulnerable, who flourishes and who is left behind. Jesus' message confronts the idea that economics is a technical science operating outside moral judgment. Instead, it insists that society is accountable for the conditions it creates. If the pursuit of wealth harms the poor, corrodes community, or entrenches fear, then it is morally indefensible, whatever its efficiency.

What answering the Jesus of Nazareth Question would require

To take Jesus' teaching seriously as a political-economic critique would require:

- Re-centring the vulnerable in public policy, requiring that institutions be judged by how they treat those with the least power, not the greatest wealth.

- Confronting the ethics of wealth accumulation by imposing obligations on wealth, closing off rent-seeking, and ensuring that those who benefit most from society contribute proportionately most to its maintenance.

- Relieving the burdens of debt and insecurity as a consequence of recognising that chronic indebtedness, poverty, and precarity destroy lives and undermine community.

- Embedding compassion into the design of public systems meaning that healthcare, education, housing, and care are not treated as commodities but as expressions of shared responsibility.

- Reasserting that the purpose of economic life is human flourishing and not profit, or wealth accumulation, requiring the restoration of dignity, security, and hope.

These are not theological positions. They are the practical implications of a moral vision rooted in justice rather than accumulation.

Inference

The Jesus of Nazareth Question confronts us with a moral reversal. If the well-being of the poor is the true measure of a society, then much of what passes for economic success today is exposed as failure. Jesus' teaching demands a political economy built on compassion, solidarity, and responsibility — not because these are charitable virtues, but because they are the conditions of a just society. His challenge is contemporary: an economy that sacrifices the least for the comfort of the wealthy cannot claim moral legitimacy. The task he sets is therefore political and not devotional. It is to build a society in which the dignity of every person is upheld, and in which freedom is measured not by wealth but by the security, belonging, and hope shared among all.

8. The Thomas Hobbes Question

Thomas Hobbes is remembered above all for *Leviathan,* the seventeenth-century masterpiece in which he sought to understand how stable social order could be created in a world prone to fear, scarcity and conflict.

Hobbes did not write as an armchair theorist but as an analyst of civil collapse. He saw firsthand how societies disintegrate when no authority is strong enough to keep fear in check or to restrain individuals from exploiting each other. *Leviathan* was therefore not a defence of tyranny but an attempt to solve a fundamental problem of political economy: what institutions are required to prevent life from becoming "solitary, poor, nasty, brutish, and short"?

Hobbes's answer was that order does not arise spontaneously. It must be constructed. It requires a "common power" — a sovereign authority — capable of restraining predation, securing property, enforcing rules, and providing the security without which trust cannot flourish. Modern economics likes to imagine that markets can regulate themselves, that private incentives produce stability, and that order emerges from competition. Hobbes argued the opposite: without strong institutions, insecurity corrodes social life, and fear displaces cooperation.

Hence, the Thomas Hobbes Question: *If peace and stability depend on a common power strong enough to restrain domination, violence and fear, why do modern states tolerate economic forces that undermine the very conditions of civil society?*

The fragility of order

Hobbes understood that order rests on a knife-edge. It is not a natural condition. It must be continuously produced by institutions with the authority to prevent harm. In the absence of such authority, individuals, however decent their intentions, are forced into defensive behaviour. Scarcity creates conflict; fear breeds pre-emption; insecurity turns neighbours into potential threats.

This is not simply political theory. It is a description of what happens when social safety nets fail, when labour markets collapse into precarity, or when people feel abandoned by the state. Modern economies often ignore this Hobbesian truth: insecurity destroys trust, and trust is the substrate of markets.

Property, power and the conditions of peace

Leviathan is explicit that peace requires secure expectations. Contracts must hold. Property must be protected. Violence must be contained. Without these stabilisers, economic life cannot flourish.

Hobbes insisted that markets do not generate these conditions themselves. They depend on public authority to prevent coercion, exploitation and fraud. That authority is not an intrusion; it is the foundation of economic liberty. This flips the neoliberal worldview on its head: markets require the state far more than the state requires markets.

The dangers of unregulated private power

Although Hobbes argued for strong sovereign authority, he was clear that domination is dangerous in any form. The person coerced by economic fear is as unfree as the person coerced by force. Precarious wages, dependence on landlords, exploitative lenders, and unpayable debts produce conditions that Hobbes would recognise as a modern state of nature.

He teaches us that inequality can become a form of violence, not metaphorically, but structurally. Where domination exists, security disappears; and where security disappears, social order frays.

Market violence and social disintegration

For Hobbes, violence was not just physical harm but any condition that destroys security, dignity or belonging. Economic conditions can do this as effectively as war. When people cannot trust their incomes, their housing, their care, or their future, they revert to self-protection. Solidarity weakens. Common purpose dissolves.

Modern societies that tolerate extreme insecurity violate the Hobbesian premise of stability. They recreate the conditions of fear that *Leviathan* was written to overcome.

The modern Leviathan and its abdication

Hobbes believed the sovereign must be strong enough to protect people from each other, but also strong enough to restrain concentrations of power wherever they arise. A state that abandons this role is no Leviathan at all; it is a spectator.

Yet contemporary governments increasingly abdicate responsibility. They allow financial markets to destabilise economies, landlords to extract rent without restraint, corporations to offshore responsibilities, and austerity to erode the public institutions that secure civil life.

From a Hobbesian perspective, this is a profound dereliction of duty: the slow dismantling of the very conditions that prevent social collapse.

What answering the Thomas Hobbes Question would require

A genuinely Hobbesian political economy would insist on rebuilding the conditions of peace and avoiding the return of fear. That would require:

- Reasserting public authority over private power, requiring that corporations, rentiers and financiers be prevented from imposing insecurity on society.

- Protecting citizens from economic domination, permitting and requiring the regulation of labour, housing, credit and essential services so that no one lives at another's mercy.

- Rebuilding the institutions of security, requiring investment in health, education, welfare, justice and care as the structural supports of civil peace.

- Ending manufactured insecurity, requiring the abandonment of austerity and policies that deliberately expose citizens to fear.
- Strengthening the social contract by ensuring that obligations apply to all, including those who currently operate beyond accountability.

These measures are not idealistic. They are precisely what *Leviathan* argued was necessary to prevent the descent into chaos.

Inference

The Thomas Hobbes Question forces us to recognise that societies fall apart not when markets falter, but when insecurity becomes normal, and fear becomes pervasive. Hobbes teaches that civil order depends on institutions strong enough to restrain harm and guarantee stability. Modern states that dismantle these institutions in the name of market freedom do not create liberty; they undermine the foundations on which liberty rests.

To answer his question is to acknowledge that peace requires shared security, and that shared security must be guaranteed by public power, not outsourced to markets, and not left to chance.

The lesson of *Leviathan* is simple and enduring: a society that tolerates fear cannot remain free.

Chapter 2 — The invention of political economy

Introduction

Economics did not emerge fully formed from nowhere. It was created by particular people, in particular places, at particular moments of social and economic upheaval, and it reflected the preoccupations, assumptions, and class interests of the world that produced it.

This chapter goes back to the origins: to the thinkers who first tried to make systematic sense of the new capitalist order emerging around them. Their insights, however partial, and however contested, shaped the discipline that followed, and understanding what was built into the foundations helps explain why so much that came later went wrong.

Adam Smith is almost certainly the most systematically misrepresented thinker in the entire history of economics. The man routinely invoked to justify dismantling every public institution was, in fact, a moral philosopher who believed that markets could not function without sympathy, public virtue, and a strong state willing to restrain the powerful. He warned repeatedly against the conspiracies of merchants and manufacturers to rig markets in their favour, supported progressive taxation, and understood that the wealth of nations lay ultimately in the well-being of their people. That none of this features in the mythology built around him is not an accident.

David Ricardo's analysis of rent as income derived from ownership rather than productive effort, identified a mechanism of extraction that acts as a permanent drain on wages and productive investment alike. The landlords and rentiers he described have merely found new forms of extraction now, from housing to intellectual property, financial assets, digital monopolies and more. The underlying logic is unchanged.

Karl Marx's enduring relevance is not primarily as a prophet of revolution but as a diagnostician of capitalism's structural tendencies toward crisis, concentration of ownership and power, and the exploitation of labour. A discipline that refuses to engage with his analysis condemns itself to misunderstanding the system it claims to explain.

Thorstein Veblen saw, with characteristic acidity, that much of what passes for prosperity is, in fact, status competition amongst an alite who basic needs are sated dressed up as consumption, and that an economy organised around perpetual comparison rather than genuine need is structurally incapable of delivering the satisfaction it promises. Nothing has changed on that since he wrote more than a century ago.

Karl Polanyi demonstrated that the self-regulating market is not a natural phenomenon but a political project, and one imposed through state power, maintained through legal force, and historically corrosive to the social fabric on which markets themselves depend. The double movement he identified, in which market expansion provokes social resistance, is playing out again in our own time with consequences he would have recognised immediately.

What these thinkers share is a willingness to ask who gains and who loses, and why. That willingness is what distinguishes political economy from the economics that displaced it.

9. The Adam Smith question

Adam Smith is widely invoked by economists but rarely read. The modern right claims him as the father of the self-regulating market, the apostle of competition, and the patron saint of the "invisible hand." But the real Smith — the moral philosopher of Kirkcaldy — is almost unrecognisable in these distortions. His first great work, *The Theory of Moral Sentiments*, argued that society rests on sympathy, mutual regard, and the capacity to imagine ourselves into the lives of others. Only on that moral foundation did he later examine markets in *The Wealth of Nations*, and even there, he was clear: markets are fragile, prone to monopoly, easily corrupted, and dependent on a well-governed society.

Hence the Adam Smith Question: *if markets depend on moral sympathy, public virtue, and shared responsibility to function, why do we still pretend that economic life can be governed by self-interest alone?*

Sympathy as the foundation of society

Smith begins not with trade but with sympathy, or the human capacity to feel with others, to imagine ourselves in their circumstances, and to respond with concern. He argued that without sympathy there could be no trust, no cooperation, and no social stability. Economic exchange presupposes moral exchange; markets rely on the character of those who enter them. Far from celebrating selfishness, Smith believed that individual flourishing was bound up with the well-being of others. The idea that he endorsed a world of isolated self-interest is a fiction created by those eager to strip markets of their moral obligations.

Markets require moral restraint

In *The Wealth of Nations*, Smith examined markets with curiosity but also with suspicion. He admired their capacity to allocate resources, but never suggested that they were naturally just or self-correcting. Indeed, he warned repeatedly that merchants and manufacturers, left to their own devices, would conspire to raise prices, reduce wages, and rig the system in their favour. Competition was not a natural state but a fragile achievement that required regulation, standards, and vigilance from the state. Smith's understanding was moral as much as economic: markets work only when participants behave with integrity, and only when society defends itself against the concentration of economic power.

The betrayal of public trust

Smith had little patience for those who used the language of free markets to justify private enrichment. He condemned monopolists, rentiers, tax-dodgers, and those who lived off the labour of others while contributing nothing to the common good. He believed that public officials had a duty to uphold justice, prevent exploitation, and ensure that economic arrangements served the whole community. In this respect, he was far closer to modern critiques of inequality than to the neoliberal ideologues who claim him as their own. For Smith, an economy that rewarded idleness at the top while punishing effort at the bottom was morally corrupt.

Wealth, virtue, and the danger of admiration

Smith observed something morally unsettling in commercial societies: people admired the wealthy not for their virtue but for their wealth. This admiration distorted moral judgment, encouraged vanity among the rich, and induced the poor to internalise feelings of inadequacy. Smith feared a society in which wealth became the measure of merit, and in which public respect shifted from character to possession. He understood that inequality was not merely a distributional problem but a moral one because it corroded sympathy, frayed social bonds, and undermined public virtue.

The limits of the invisible hand

Smith mentioned "an invisible hand" only once in *The Wealth of Nations* and once in *Moral Sentiments*, on both occasions in contexts far removed from the mythology built around them. He did not believe that markets magically transformed private greed into public good. Rather, he believed that, under certain conditions - moral, institutional, and social, as well as economic - self-interest could unintentionally contribute to wider prosperity. But those conditions were demanding, requiring stable institutions, fair taxation, justice, infrastructure, and a public realm strong enough to prevent corruption. The modern cult of the invisible hand strips Smith's argument of all complexity, and with it, all truth.

Smith the moral reformer

Smith was also no libertarian. He believed in progressive taxation, public education, regulation of financial markets, and state investment in infrastructure. He supported the enforcement of labour standards and condemned the imbalance of power between employers and workers. He was, above all, a moral reformer: someone who believed that economic systems should promote virtue, not vice, and that the wealth of a nation lay ultimately in the well-being of its people. The modern habit of reducing Smith to a slogan is therefore an act of intellectual vandalism.

What answering the Adam Smith Question would require

To take Smith seriously — the real Smith, that is, and not the invention of neoliberal commentary — would require:

- Rebuilding moral foundations, recognising that trust, sympathy, and social responsibility are prerequisites for any functioning economy.

- Taming concentrated power by enforcing anti-monopoly rules, regulating finance, and preventing corporate capture of the state.

- Revaluing public goods requiring investment in infrastructure, education, health, and justice as the supports that markets depend on but cannot themselves create.

- Challenging the moral prestige of wealth by confronting the cultural assumption that money is the measure of merit.

- Restoring fairness in labour markets, ensuring that wages, conditions, and bargaining power reflect the moral reality that workers create value.

These are not modern intrusions into Smith's philosophy; they are its continuation.

Inference

The Adam Smith Question invites us to recover the thinker we have lost. Smith believed that markets were useful but morally fragile, dependent on sympathy, fairness, and justice. He understood that economic life could not be separated from moral life, and that the strength of a society lay in its capacity for mutual regard. To answer his question is to reject the hollow doctrines that claim markets function best when stripped of moral responsibility. It is to recognise instead that freedom, prosperity, and trust depend on a shared ethical foundation.

Smith's work points us toward a simple truth, which is that an economy that neglects its moral basis will lose both its prosperity and its soul.

10. The David Ricardo question

David Ricardo wrote at the beginning of the nineteenth century, during the formative decades of industrial capitalism. Britain was experiencing rapid economic change: agriculture was becoming commercialised, industry was expanding, and land ownership remained concentrated in the hands of a powerful aristocracy. Debates about trade, food prices and land ownership were fierce because they determined who would benefit from economic growth.

Ricardo's most important contribution was to analyse how national income is divided between landowners, workers and capitalists. His theory of rent showed that landowners could gain income not through productive activity but simply through ownership of scarce resources. His argument was that as population and economic activity expand, land becomes more valuable, and so landlords capture increasing rents without in any way contributing to production.

Ricardo recognised the consequences immediately. When rents rise, they absorb a growing share of national income. That income must come from somewhere, and that was either from wages or from profits.

Hence the **David Ricardo Question:** ***If rising rents inevitably squeeze both wages and productive profits, why do modern economies allow rent extraction to dominate economic life?***

Rent as unearned income

Ricardo distinguished sharply between productive income and rent. Wages compensate labour. Profits reward investment and risk-taking. Rent, however, arises simply because certain resources — especially land — are scarce and privately owned.

As demand grows, the value of these scarce resources rises. Landowners can charge higher rents without improving the land or increasing its productivity. Their income grows not because they contribute more, but because the economy around them expands.

Ricardo saw this clearly: rent is income derived from ownership, not production.

The squeeze on wages and profits

Ricardo's model showed that as rents increase, the remaining income available for wages and profits must shrink. Workers may face lower real wages because food and housing become more expensive. Entrepreneurs may see their profits reduced because costs rise.

In this sense, rent acts as a drag on the productive economy. It redistributes wealth from those who work and invest to those who simply own valuable assets.

Ricardo, therefore, regarded the expansion of rent as economically harmful.

The Corn Laws and political power

Ricardo developed his theory partly in response to the Corn Laws, tariffs that protected British landowners by keeping grain prices high. Higher food prices meant higher rents for landlords, higher living costs for workers, and higher wage pressures for employers.

Ricardo opposed these laws because they privileged rentier interests over productive development. He believed economic policy should support production and trade, not protect the unearned income of landowners.

His analysis revealed that economic debates are rarely neutral. Instead, they are struggles over distribution.

Rent in the modern economy

Although Ricardo wrote about land, the concept of rent has expanded dramatically since he wrote. Today, rent extraction occurs not only through land ownership but through control of:

- housing and property
- intellectual property rights
- financial assets
- digital platforms

- natural resources
- monopoly positions in markets
- companies from which excess pay can be taken

These modern rents can be even more powerful than the land rents Ricardo analysed. They allow wealth to accumulate through control of assets rather than through productive activity.

Ricardo's insight, therefore, remains strikingly relevant.

Financialisation and the return of the rentier

In many contemporary economies, rising property values, financial asset ownership and corporate monopolies have shifted income toward rentiers. Housing costs absorb increasing shares of household income. Asset prices rise faster than wages. Wealth accumulates through ownership rather than work.

This pattern resembles the dynamics Ricardo warned about two centuries ago. Economic growth becomes increasingly captured by those who control scarce assets.

The productive economy — the one that creates goods, services and employment — is squeezed.

What answering the David Ricardo Question would require

Taking Ricardo's insight seriously would require confronting rent extraction directly. That would involve:

- Taxing economic rents, especially those derived from land and monopolies, whether natural or artificially created.
- Reducing barriers to competition and preventing artificial scarcity from generating excessive returns.
- Reforming housing and land policy, ensuring land values benefit society rather than private landlords alone.
- Regulating monopoly power, particularly in digital and financial sectors.

- Redirecting investment toward productive activity, rather than speculative asset accumulation.

These measures would not punish success. They would restore the distinction between productive income and unearned rent.

Inference

The David Ricardo Question highlights a persistent tension in capitalist economies: the struggle between productive activity and rent extraction. Ricardo showed that when rent dominates, it drains resources from workers and investors while rewarding passive ownership.

Two centuries later, his insight remains relevant. Modern economies continue to generate vast fortunes through control of scarce assets rather than through productive contribution.

To answer Ricardo's question is to recognise that prosperity depends not simply on growth, but on who captures the gains from that growth, and that when rentiers dominate, the productive economy inevitably suffers.

11. The Karl Marx question

Karl Marx was not the first to critique capitalism, but he remains the most enduring. Writing in the 19th century, he saw in industrialisation both extraordinary productive capacity and extraordinary human cost. His central claim was stark: capitalism contains within it contradictions so deep that it is fated to crisis.

The essence of Marx's analysis was simple. Capitalists make profits by paying workers less than the value they produce. But if wages are held down, workers cannot afford to buy what they produce. Capitalism, therefore, undermines its own market. It grows by exploiting labour, but in doing so, it weakens demand.

This contradiction leads directly to the **Karl Marx Question:** ***if capitalism's natural tendency is to concentrate wealth in a few hands, impoverish the many, and generate recurrent crises, why do we still treat it as an inevitable and permanent system?***

1. Exploitation as the engine of profit

Marx's labour theory of value argued that all profit ultimately comes from labour. Machines may assist, but it is human labour that creates surplus value. Capitalists appropriate that surplus by paying workers less than the value they add.

This exploitation is not an accident; it is the system. Employers compete by squeezing wages, intensifying work, and cutting costs. The result is a structural bias towards inequality. Capital accumulates, labour is dispossessed.

2. Crisis as a recurring feature

Capitalism is not only unequal; it is unstable. By suppressing wages, it undermines its own demand base. Profits rise in the short term, but long-term markets falter. To bridge the gap, credit expands. Workers borrow to sustain consumption; firms borrow to expand production. Eventually, debt becomes unsustainable, bubbles burst, and crisis ensues.

This cycle — boom, credit expansion, bust — has repeated ever since Marx wrote. From the crash of 1873 to the Great Depression, from 2008's global financial crisis to today's looming debt crises, Marx's diagnosis looks disturbingly accurate.

3. The concentration of capital

Marx also foresaw the centralisation of wealth and power. Competition drives weaker firms out, leaving monopolies and oligopolies. Today, global corporations dominate markets, supply chains, and even governments. Tech giants command more data than states. Finance capital dominates politics. Wealth inequality has returned to levels not seen since the 19th century.

This concentration is not incidental. It is the logical endpoint of unregulated accumulation.

4. The politics of denial

Despite repeated crises and ever-widening inequality, capitalism is still presented as the natural, inevitable order of things. Alternatives are dismissed as utopian or dangerous. "There is no alternative," Margaret Thatcher declared, and neoliberalism turned it into dogma.

Why this denial? Because capitalism serves the interests of those who benefit from it — the wealthy, the asset-owning, the powerful. They use their influence to control narratives, fund think tanks, capture politics, and shape media. Capitalism is not just an economic system; it is a political and ideological project sustained by those it enriches.

5. Marx's unfinished revolution

Marx believed capitalism would collapse under the weight of its contradictions, giving way to socialism. That has not happened. Capitalism has proved more adaptable than he foresaw. Welfare states, trade unions, and regulation mitigated its worst excesses in the mid-20th century, ensuring its survival at that time, especially when the 1930s had questioned that likelihood. But since the 1980s, those protections have been progressively dismantled. Neoliberalism has restored capitalism in a purer, harsher form — global, financialised, and extractive.

We now face the consequences Marx anticipated: unstable economies, grotesque inequality, and democratic erosion. His revolution never came, but his critique remains potent.

6. What answering the Marx question might mean today

To respond to the Marx Question, we need not replicate his prescriptions, but we cannot ignore his insights. If capitalism naturally concentrates wealth and generates crises, then stability and justice require countervailing power. That means:

- **Redistribution.** We need progressive taxation of income, wealth, inheritance, and capital gains to rebalance shares between labour and capital.
- **Labour empowerment.** Strong unions are essential, as is sectoral bargaining (for which I argued in my books The Courageous State and The Joy of Tax), workplace democracy, and minimum standards (including livable wages) that prevent exploitation.
- **Public ownership and planning.** Key sectors like energy, water, housing, and transport should serve public purpose, not profit.
- **Democratic regulation of capital.** Finance must be controlled, speculation curtailed, and credit directed into productive, sustainable uses.
- **Global cooperation.** Tax havens, secrecy jurisdictions, and unregulated global capital flows must be dismantled if nation-states are to reclaim democracy.

Inference

The Marx Question asks whether a system that thrives on exploitation and crisis can ever be sustainable. The evidence of history suggests not. Unless constrained by democratic power, capitalism eats itself: it devours labour, erodes communities, destroys the environment, and destabilises politics. The evidence for that hypothesis is now seen all around us.

Marx's insight was not that collapse was inevitable, but that contradictions are inescapable. Capitalism cannot be left to itself. Either it is rebalanced by deliberate, democratic intervention, or it will implode under its own weight.

The choice is stark: civilise capitalism, or let it destroy the very foundations on which it rests. Marx's question, left unanswered, is not about economics alone. It is about survival.

12. The Thorstein Veblen question

Thorstein Veblen wrote at the end of the nineteenth century, at a time when industrial capitalism had created enormous fortunes and an increasingly visible class of extremely wealthy individuals. In *The Theory of the Leisure Class* (1899), Veblen observed that the behaviour of this class often had little to do with comfort or necessity. Instead, it revolved around public display, what he famously called 'conspicuous consumption'.

Veblen's insight was radical because it challenged the assumption that consumption reflects rational preferences or genuine well-being. Instead, he argued that much consumption is comparative. People buy goods not primarily for their usefulness, but to demonstrate status relative to others.

Once this is recognised, the meaning of economic growth becomes much less clear.

Hence the **Thorstein Veblen Question:** ***If much of modern consumption exists not to meet human needs but to signal status and superiority, why do we treat rising consumption as evidence of prosperity rather than as evidence of social rivalry and waste?***

Consumption as social competition

Veblen argued that consumption often operates as a form of social signalling. Visible goods, such as houses, clothing, cars, and leisure activities, all communicate position within a hierarchy. Their value lies partly in the fact that others cannot easily afford them.

This creates a dynamic of emulation. Lower social groups imitate the consumption patterns of those above them, while the wealthy constantly seek new forms of distinction. The result is an endless upward spiral of consumption that has little to do with real need.

Prosperity, in this sense, becomes a race without a finish line.

Conspicuous waste

Veblen observed that the leisure class often displays status not just through expensive goods but through waste itself. Time spent in conspicuous leisure, goods that are impractical but costly, and activities that demonstrate freedom from productive work all function as markers of superiority.

This behaviour is not accidental. Waste signals that one possesses resources beyond what is necessary. Ironically, the more inefficient or extravagant the activity, the stronger the signal.

In Veblen's analysis, capitalism produces an economy where waste becomes socially valuable.

The cultural spread of status consumption

Although Veblen wrote about a small elite, the logic he identified has spread across entire societies. Advertising, branding and consumer culture actively cultivate status competition. Goods are designed not only to function but to signal identity.

As incomes rise, consumption expands, but much of this expansion reflects positional competition rather than improved well-being. What once marked the elite becomes normalised, and new forms of status display emerge.

The economy grows, but the underlying motivations remain comparative rather than substantive.

Growth without satisfaction

Veblen's analysis helps explain a paradox of modern societies: rising consumption does not necessarily produce rising contentment. When consumption is driven by status comparison, satisfaction is temporary. The benchmark keeps moving.

This dynamic encourages perpetual economic expansion. New goods, fashions and technologies continually reset the hierarchy of status. The result is an economy organised around stimulating demand rather than meeting stable human needs.

From Veblen's perspective, the system is not merely inefficient. It is structurally restless.

Waste and the environment

Although Veblen did not write in the age of climate change, his insights resonate strongly today. Status-driven consumption encourages overproduction, rapid obsolescence and the extraction of resources far beyond what is necessary for human wellbeing.

Environmental degradation therefore becomes intertwined with social competition. Individuals consume more not because they need more, but because they must keep up.

What appears as prosperity may in fact be accelerating ecological exhaustion.

What answering the Thorstein Veblen Question would require

Taking Veblen's analysis seriously would require questioning the assumption that more consumption automatically improves well-being. At minimum, it would involve:

- Distinguishing between need-based consumption and status competition.
- Reducing inequality, which intensifies positional consumption pressures.
- Reframing prosperity around wellbeing rather than material throughput.
- Designing economic policy that discourages wasteful status races.
- Promoting social recognition through contribution, creativity and care rather than material display.

Such changes would not suppress human aspiration. They would redirect it.

Inference

The Thorstein Veblen Question reveals that economic growth can mask profound inefficiency. When consumption is driven by status competition, societies may devote vast resources to goods that do little to improve human well-being. The resulting system generates constant expansion, environmental strain and social anxiety, all in pursuit of relative advantage.

Veblen's critique, therefore, challenges one of the central assumptions of modern economics: that rising consumption is always a sign of progress.

To answer his question is to recognise that an economy organised around status rivalry cannot deliver lasting prosperity, because its defining feature is perpetual dissatisfaction.

13. The Karl Polanyi question

Karl Polanyi's *The Great Transformation* is one of the most important critiques ever written of market fundamentalism. That is not because it opposes markets, but because it demonstrates a deep understanding of them, their nature and the threats that they pose.

Polanyi showed that the idea of a self-regulating market is not a natural outcome of human exchange, but a political project imposed by states in the nineteenth century. In doing so, he demonstrated that whenever society is forced to subordinate itself to market logic, the result is social disintegration, political instability, and authoritarian reaction.

Polanyi's insight was not merely historical. It was diagnostic. He revealed a recurring pattern: market liberalisation produces suffering; society resists; elites respond either by re-embedding markets within social protection, or by turning to coercion. Democracy, he argued, only survives when the former path is chosen.

Hence, the Karl Polanyi Question: ***If attempts to create a self-regulating market repeatedly destroy social order, democracy and nature, why do we continue to treat market subordination as the price of modernity?***

Markets are made, not found

Polanyi's first and most important claim is that markets are not natural phenomena. They do not arise spontaneously from human barter. They are created by law, enforced by states, and sustained by institutions. The so-called "free market" required massive state intervention: enclosure of common land, criminalisation of subsistence, dismantling of local protections, and the forced creation of wage labour.

The irony is profound. The market was never free. It was imposed, and imposed violently. The language of freedom masked a transfer of power from communities to capital. Polanyi understood that once this history is acknowledged, the moral authority of laissez-faire collapses.

The fiction of the self-regulating market

Polanyi argued that the self-regulating market is not just unrealistic but impossible. Markets cannot regulate themselves because they depend on social foundations they cannot themselves create, whether they be trust, stability, care, legitimacy, or ecological continuity.

Yet market liberalism demands exactly this impossibility. It insists that labour, land and money be treated as commodities despite the fact that none of them are produced for sale. Labour is a part of human life. Land is nature, and the world we live upon in all its complexity. Money is a social institution that is a public good. To subject them to market pricing alone is to invite catastrophe.

Polanyi called these fictitious commodities, and his warning was precise: societies that try to commodify them will destroy themselves.

The double movement

One of Polanyi's most powerful ideas is that of "double movement". This suggests that as markets expand and social protections are stripped away, society pushes back. Workers organise. States intervene. Welfare systems emerge. Regulation returns. This is not a matter of ideology; it is about survival.

The tragedy, Polanyi observed, is that elites often resist this re-embedding. Instead of allowing social protection to stabilise capitalism, they seek to suppress resistance through repression, nationalism, or authoritarianism. Fascism, he argued, was not a rejection of markets but a reaction to the social chaos markets produced.

This insight is chillingly relevant today.

Democracy cannot survive market absolutism

Polanyi showed that democracy and market absolutism are incompatible. When markets are treated as supreme, democratic choices are overridden by "economic necessity". Wages must fall. Services must be cut. Regulations must go. And, elections become theatre because the range of permissible policy is pre-determined by capital mobility and investor confidence.

This is how democracy hollows out. Citizens are told there is no alternative, not because other options do not exist, but because markets have been elevated above politics. Polanyi understood that when people lose democratic agency, they will seek it elsewhere, sometimes destructively.

Neoliberalism as a second great transformation

Polanyi wrote about the nineteenth and early twentieth centuries.
But neoliberalism is a second great transformation, and another attempt to disembed markets from society. Austerity, deregulation, privatisation, labour precarity, financialisation, and the erosion of welfare states are not accidents. They are the deliberate revival of the self-regulating market ideal.

The consequences are exactly what Polanyi did or could have predicted:

- rising inequality
- social fragmentation
- political extremism
- ecological collapse
- democratic decay

That these outcomes surprise policymakers is evidence not of novelty, but of intellectual amnesia.

Ecology completes Polanyi's argument

Polanyi did not live to see climate breakdown, but his framework anticipates it. Treating nature as a commodity subject to market pricing alone guarantees ecological overshoot. Markets do not protect ecosystems. They exhaust them.

The climate crisis is therefore not a market failure. It is a market *success;* the logical outcome of subordinating planetary systems to price signals and profit incentives. Polanyi's insistence that land cannot be commodified without destruction now applies at the scale of the Earth itself.

What answering the Karl Polanyi Question would require

To take Polanyi seriously today would require reversing the second great transformation and re-embedding the economy within society and nature. That would involve:

- Reasserting democratic primacy, meaning markets must serve social goals, not dictate them.

- Decommodifying labour, requiring the restoration of security, dignity and bargaining power at work.

- Decommodifying land and nature, requiring that we treat ecological systems as limits, not inputs.

- Reclaiming public control over money and finance, meaning that we recognise money as a public utility, and not as a private weapon.

- Strengthening social protection, requiring the delivery of social security, health, housing and care as essential stabilising infrastructure within society.

- Rejecting the claim that “there is no alternative” by acknowledging that economic rules are always political choices.

These are not anti-market proposals. They are the necessary conditions for markets to exist without destroying the societies that host them.

Inference

The Karl Polanyi Question reveals the central delusion of modern political economy: that freedom lies in submitting society to markets. Polanyi showed that the opposite is true. When markets are allowed to dominate, freedom collapses into insecurity, democracy erodes, and authoritarianism beckons.

His lesson is neither nostalgic nor utopian. It is empirical and urgent, demanding that we recognise that markets must be embedded in society, or society will revolt against markets.

The question we face is not whether Polanyi was right. It is whether we are willing to learn from him, or whether we will repeat, yet again, the catastrophe he described.

Chapter 3 — Capitalism as a system of production

Introduction

There is a difference between capitalism as an idea and capitalism as a thing that happens to real people in real places. Much economic theory is about the former. This chapter is about the latter.

Henry Ford and Joseph Schumpeter make an unlikely pairing, arriving at capitalism from very different directions and drawing conclusions that sit in productive tension with each other. What they share is an insistence on taking the system seriously as a dynamic, material reality rather than a set of equilibrium conditions on a blackboard.

Ford's insight was almost embarrassingly simple: workers are not merely a cost to be minimised, but the source of the demand on which the entire productive edifice depends. Doubling wages was, for him, an act of system maintenance, not generosity, and a recognition that mass production requires mass purchasing power, whilst an economy which suppresses wages to boost short-term profits is sawing off the branch on which it sits. That last near fifty years of wage stagnation, rising household debt, and periodic demand crises suggest the lesson Ford learned has now been comprehensively forgotten.

Schumpeter understood both the extraordinary creative power of capitalism and the extraordinary social destruction that creative power entails. Creative destruction is now invoked almost entirely to celebrate disruption and justify the elimination of whatever stands in innovation's way. Schumpeter meant something more troubling: that the same forces which drive capitalism forward corrode the institutional trust, social cohesion, and shared moral framework without which no complex society can function. He worried that capitalism would eventually undermine the conditions of its own survival. The evidence is beginning to suggest he was not wrong.

14. The Henry Ford Question

In 1914, Henry Ford shocked the business world. He announced that his factory workers would be paid $5 a day — double the going rate. To most employers, this was lunacy. Wages were seen as a cost to be minimised. Ford's logic was different. If workers couldn't afford the cars they made, there would never be a mass market for automobiles. By raising wages, he wasn't giving charity; he was creating customers. He was also, admittedly, seeking to reduce union power.

That single decision did, however, become folklore in economic history, but not because Ford was a benevolent capitalist. He was hard-headed. He understood a paradox that capitalism itself tries to ignore: labour is both a cost in the production ledger and the foundation of demand in the wider economy. Ignore the second role, and you collapse the market you depend upon. This duality cannot be avoided, and yet most businesses, economists and politicians try to do so.

This, then, leads to the **Henry Ford Question**, which is: ***How can prosperity be sustained if labour is treated only as a cost to be cut, rather than as the source of the demand that keeps the economy alive?***

1. Wages are more than a cost

Mainstream economics has, for decades, encouraged businesses and governments alike to see wages only through the lens of competitiveness. Lower labour costs supposedly mean cheaper products and bigger profit margins, or so the argument runs. Trade theory treats wages as an "input" to be reduced to gain an advantage in the global market.

But in the real economy, a wage is not simply a cost. It is simultaneously somebody's income, and the incomes of working people aggregate into the demand on which businesses depend. Cut wages across the board, and you are not just "saving costs"; you are draining the very purchasing power that drives sales.

Ford understood this, instinctively. If his cars were to become truly mass-produced, they had to be mass-consumed. His workers could not remain a pauper class building luxuries for the rich. They had to be able to buy the product themselves.

2. The productivity paradox

Modern capitalism loves to talk about productivity. Automation, AI, lean supply chains; all of these promise higher output per worker. In theory, that higher productivity should mean higher wages. In practice, over the last forty years, productivity and wages have been decoupled.

Output per worker has risen steadily. Wages for the majority have stagnated. The surplus has gone to profits, dividends, and executive pay. This is the productivity paradox: we can produce more, but the gains are not shared.

That decoupling has dangerous consequences. Goods now exist in abundance, but mass purchasing power based on wages has lagged.

The gap has been filled with household debt. In the US and UK, cheap credit became the sticking plaster that allowed workers to keep consuming despite stagnant wages. When the credit system cracked in 2008, the illusion collapsed.

Ford, more than a century earlier, had avoided that paradox: he aligned productivity gains with wage gains, so that output and demand rose together.

3. The fragility of demand

Economists talk about "aggregate demand" as if it were an abstract. In reality, demand is the ability of ordinary households to spend on food, housing, energy, transport, education, and leisure. When those households are squeezed, demand falters.

This fragility is visible everywhere:

- Insecure work. Zero-hours contracts and gig labour erode income stability.
- Stagnant pay. Median wages in the UK have moved little in real terms since 2008.
- Rising costs. Housing, childcare, and energy swallow disproportionate shares of income.

The effect is macroeconomic. Businesses invest when they see demand. When demand weakens, they hold back. Lower wages might look good for an individual balance sheet, but when every firm squeezes simultaneously, the market shrinks. It is the fallacy of composition applied to labour.

4. Demand collapse and crisis

History is replete with examples. The Great Depression was not just a stock market crash; it was a collapse of demand after years of wage suppression and speculative bubbles.

Post-2008 austerity in Europe repeated the mistake: governments cut public wages and spending, deepening recession when demand was already frail.

The lesson is simple: demand collapse is the natural end-point of treating labour purely as a cost.

Ford's $5 day was a crude but effective form of demand insurance.

Today, we have dismantled such insurance. Labour's bargaining power is weaker than at any time since the nineteenth century.

The result is a global economy held together with private debt and speculative bubbles — precarious, brittle, primed for crisis, and that crisis is now turning to anger, as we are seeing .

5. Distributional justice as macroeconomic stability

Wages are not just a fairness issue; they are a stability issue. Economies with stronger wage shares - where labour takes home a larger slice of national income - are less crisis-prone. That is because consumption is more stable when it rests on wages rather than on debt or asset speculation.

Every pound in a worker's pocket has a higher propensity to be spent than a pound sitting in a Cayman bank account.

High wage shares keep demand circulating.

High profit shares leak into financial speculation, inflating asset bubbles rather than sustaining the real economy.

Ford grasped that crude principle. Today's policymakers have forgotten it. Labour's share of income has been falling for decades, and instability has risen in step.

6. What Ford tells us about today

What does the Ford Question demand of us now?

First, rebuild labour power. Strong unions and sectoral bargaining are not nostalgic relics; they are stabilisers of demand. They ensure productivity gains flow into wages.

Second, deliver progressive taxation. Left to itself, capital hoards the surplus. Progressive taxation recycles it into public services and investment, sustaining mass purchasing power.

Third, deliver public investment in wages. Care, education, and green transition jobs are labour-intensive and wage-sensitive. Public spending in these areas doesn't just provide services; it anchors demand.

Fourth, reject the "labour cost" fixation. Competitiveness cannot be built on perpetual wage suppression. A society of underpaid workers is not competitive; it is brittle.

Inference

The Henry Ford Question remains unanswered. We are still trapped in the contradiction he spotted: if workers are only costs, who buys the output? Ford's $5 day was not a gift to his employees; it was an act of system maintenance.

The problem is that we have lost sight of that lesson. By prioritising shareholder returns and managerial bonuses, we have forgotten that prosperity requires redistribution.

The resulting paradox is stark: pay more, and the economy works; pay less, and it stalls.

Ford's insight was brutal but true: you cannot have mass production without mass consumption, and you cannot have mass consumption without fair wages. That is the challenge modern capitalism keeps trying to evade.

15. The Joseph Schumpeter question

This post refers to the Austrian (later American) economist, Joseph Schumpeter, with whose work I have always had a difficult relationship because it has been so heavily associated with right-wing thinkers, many of whom have abused it for their own purposes without appearing to understand it. That, though, provides reason to consider him in this series, because difficult and even contradictory people always demand attention.

Joseph Schumpeter was one of the most unsettling economists of the twentieth century, in my opinion. He admired capitalism for its dynamism, its restless energy, and its power to transform. But he also foresaw that its very success would ultimately undermine it, in which sense he shared an opinion with Karl Marx, although for different reasons..

In *Capitalism, Socialism and Democracy* (1942), Schumpeter described capitalism as a process of "creative destruction." He suggested entrepreneurs innovate, invent, and disrupt whilst creating new economic activity. As old industries collapse, new ones rise. Growth and progress emerge in that case from a process of perpetual upheaval. Capitalism's strength lies, as a consequence, in its instability and its ability to destroy the old to make way for the new.

But Schumpeter also saw a darker side. The same forces that drive innovation simultaneously, in his opinion, erode stability, community, and meaning. The capitalist process, he warned, "incessantly revolutionises the economic structure from within." That constant churn undermines the very institutions, such as social cohesion, trust, and democracy, that keep it functioning.

Hence, **the Schumpeter Question:** ***if capitalism depends on endless innovation and destruction to renew itself, how can society survive the chaos it continually creates?***

The romance of innovation

Schumpeter's vision of the entrepreneur remains iconic. In his view, the heroic innovator challenges convention, disrupts markets, and pushes society forward. This idea has become central to modern myth-making, from Silicon Valley to corporate boardrooms. The role of "disruptor" is now worn as a badge of honour.

But Schumpeter's entrepreneur was not a romantic figure. He (or she, although he wrote in a different era) was (and is), instead, an agent of upheaval. Each new wave of innovation renders existing skills obsolete, displaces workers, and wipes out businesses. The dynamism that makes capitalism thrive also ensures it can never be still.

Innovation is not a gentle progress; it is a process of creative destruction.

The cost of destruction

Schumpeter understood that this destruction has consequences. When industries collapse, communities fracture. When technologies change too fast, institutions struggle to adapt. When wealth shifts from production to speculation, social trust decays.

In that case, he foresaw that capitalism's own success could create discontent. As firms grow, he realised entrepreneurship could give way to bureaucracy. As wealth concentrates, he foresaw that elites could entrench themselves. And he realised that the development of monopolies could smother the creative spark of entrepreneurship, while the social resentment of those left behind could threaten political stability.

In short, capitalism's energy was also its entropy.

The technocratic illusion

Modern capitalism has embraced Schumpeter's language while ignoring his warning. "Creative destruction" has become a slogan to justify everything from automation to asset stripping. Politicians and executives invoke innovation as if it were an unqualified good.

But Schumpeter's point was subtler. Innovation is not costless. When new technologies displace workers faster than societies can retrain them, inequality rises. When digital platforms destroy traditional businesses without paying fair taxes or wages, public revenues fall. When finance treats speculation as innovation, it creates bubbles rather than progress.

Capitalism's problem is not that it innovates too little, but that it innovates without responsibility.

The political fragility of capitalism

Schumpeter was clear-eyed about capitalism's political vulnerability. He predicted that as the system matured, its social legitimacy would erode. The very success of capitalist enterprise would create a class of bureaucrats, financiers, and rentiers detached from production. The middle class, squeezed by uncertainty, would lose faith. Intellectuals, disillusioned by inequality, would turn against it.

He saw capitalism's downfall not in proletarian revolution but in moral exhaustion; a system that corrodes the values it depends upon.

That diagnosis feels extraordinarily contemporary.

The corporate capture of creativity

The Schumpeterian entrepreneur has long since been replaced by the corporation. Most innovation is now industrialised, managed by vast research budgets and defended by armies of lawyers. The energy of creative destruction has been channelled into oligopoly.

Big Tech exemplifies the irony: companies born as disruptors now crush competition, extract rents, and manipulate data. They innovate not to liberate but to dominate. The "creative" has been replaced by the "extractive."

Schumpeter might have seen in these giants the terminal stage of capitalism, a system that destroys its creative function while preserving its destructive one.

The ecological contradiction

Schumpeter wrote before climate breakdown was visible, but his logic extends there, too. The compulsion to innovate, expand, and destroy cannot coexist indefinitely with planetary limits. The same system that renews itself through technological advances also devours finite resources. Creative destruction becomes literal destruction.

A society that consumes its environment to fuel its economy is not innovating — it is cannibalising its future.

What answering Schumpeter requires

To answer the Schumpeter Question, we must confront capitalism's addiction to disruption. We must ask whether a system that can survive only by destroying itself can ever be sustainable. That requires:

1. Social control of innovation so that technology serves social needs, not speculative gain.

2. Active transition management to protect workers and communities during industrial change instead of abandoning them to "the market."

3. Democratic direction of investment to channel innovation into ecological and social repair, and not just consumption and financial engineering.

4. Revaluing stability to recognise that continuity, care, and maintenance are as valuable as novelty.

Inference

The Schumpeter Question asks whether capitalism's defining strength, which is its power to transform, is also its fatal weakness. Innovation, left ungoverned, becomes chaos. Destruction, left unaccounted, becomes decline.

Schumpeter saw that capitalism would eventually undermine the social fabric it needed to survive. His prophecy still holds: a system that thrives on disruption without direction, and profit without purpose, will destroy both itself and the societies that host it.

The challenge now

The challenge now is to recover creation without destruction, harnessing innovation for repair rather than ruin.

Only then might we escape Schumpeter's trap: an economy that renews itself by breaking the world on which it depends.

Chapter 4 — The Keynesian revolution and its lost toolkit

Introduction

The Great Depression did not just wreck economies. It broke the intellectual confidence of a discipline that had assured the world that markets, left to themselves, would deliver equilibrium and full employment. What came after was an attempt, partial, contested, and ultimately unfinished, to build a framework in which governments could take responsibility for the health of the economy rather than waiting for the market to correct itself.

Keynes's central insight is deceptively simple: demand can fail for prolonged periods, and when it does, the state must act as spender of last resort. This was not, and is not, controversial as a description of what happens. It remains, somehow, politically irresistible to ignore at precisely the moments when it matters most.

Paul Samuelson turned Keynesianism into the dominant framework for economic education and in doing so, simultaneously helped create the conditions under which it could be dismantled. The neoclassical synthesis he constructed was always internally unstable, resting on the assumption that markets were fundamentally efficient in the long run, which meant that public intervention was always, at best, a temporary fix. The logic, followed through, pointed back toward the orthodoxy Keynes had overturned. He has much to answer for.

James Tobin's proposal for a small tax on financial transactions was not merely sensible; it was prophetic. That it has never been implemented, through decades of financial instability, is a testament to who actually shapes the policies that economics is supposed to inform.

Joan Robinson was among the fiercest internal critics of the direction mainstream economics was taking, and her warning that the discipline was producing ideology disguised as science remains as unresolved now as when she made it.

Abba Lerner's functional finance embraced argument that fiscal policy should be judged by its economic outcomes rather than by whether the government's budget balances. As such it provides the foundation on which any serious understanding of public finance must rest. That it is still treated as heterodox is one of the discipline's more instructive failures.

Wynne Godley demonstrated, through the rigorous application of accounting identities, that many of the most celebrated policy frameworks of recent decades were arithmetically incoherent, and that the crises they produced were therefore not surprises but inevitabilities. The fact that policymakers were surprised anyway says something important about the relationship between economic theory and power.

This is, as I describe it in the chapter heading, a lost toolkit. Lost not because it was shown to be wrong, but because recovering it would require those in power to acknowledge that the choices they have made were choices, and that very different ones remain available.

16. The John Maynard Keynes question

John Maynard Keynes remains, in my opinion, the most important economist of the twentieth century. His 'General Theory of Employment, Interest and Money', published in 1936, was written in the depths of the Great Depression. Its central message was revolutionary in economic terms: Keynes suggested that markets are not self-correcting, that demand can fail for prolonged periods, and that when that happens the state must intervene as a spender of last resort.

Keynes overturned the economic orthodoxy. Until he wrote, the consensus had been that supply creates its own demand, as Say's Law suggested. If workers were unemployed, it was assumed their wages were too high or they were insufficiently flexible. Keynes challenged this logic. He showed that when demand collapses, unemployment can persist indefinitely, even if workers are willing to work for less. Without state intervention, there is no automatic recovery.

And yet, almost a century later, governments repeatedly ignore him. That then leads to the **Keynes Question**: ***if the economics of public intervention in a slump is so clear, why do governments so often refuse to spend when they are most needed?***

1. The paradox of thrift

Keynes based his explanation of recession on what he called the paradox of thrift. If one household tightens its belt, that may be prudent. But, he said, if all households cut spending at once, total demand falls, incomes shrink, and the ability to save collapses. What is rational for one household in isolation becomes ruinous if it is done by all, simultaneously.

This paradox applies to governments, too. When recessions strike, tax revenues fall and welfare payments rise. Cutting spending in response simply deepens the downturn. In that situation, only the government can expand demand to offset private retrenchment.

2. Multipliers that matter

Keynes also identified the multiplier effect. Government spending does not simply add one-for-one to GDP. It triggers further rounds of spending as wages are paid, suppliers are contracted, and consumption rises. In a depressed economy, the multiplier is large. A pound of public spending can generate far more than a pound in economic output.

That means state spending is not only necessary to fill the demand gap; it is also highly effective. Stimulus works best when the economy is weakest.

3. Hysteresis: the cost of delay

Keynes stressed that unemployment is not just a temporary inconvenience. It inflicts long-term scars. Workers who are unemployed lose skills. Young people who cannot find work suffer permanently lower lifetime incomes. Business delays or cancelled investments leave the economy weaker in the future.

This is what economists now call hysteresis: temporary slumps can permanently reduce potential output. In other words, refusing to spend now means condemning future generations to lower prosperity.

4. The politics of refusal

Despite the clarity of the Keynesian case, governments time and again retreat to austerity. After the financial crash of 2008, the UK government under George Osborne slashed spending at the very moment it was most needed. The result was the slowest recovery in modern history and a decade of wasted potential.

Why do they do it? Keynes himself suggested one reason: austerity appeals to a false sense of morality. Politicians and media insist that “belt-tightening” is virtuous, while borrowing is sinful. The household analogy — governments must live within their means, just like families — has immense political force, even though it is false.

But the deeper reason is structural. Austerity disciplines labour. By maintaining a pool of unemployed or insecure workers, wages are held down and labour's bargaining power is weakened. At the same time, austerity shrinks the state, leaving more space for private capital. Austerity may be bad economics, but it is useful politics for elites.

5. Keynes's unfinished revolution

Keynes gave us the tools, but his revolution was never fully secured. The post-war Keynesian consensus did create decades of full employment and social progress. But from the 1970s onwards, neoliberal economists attacked Keynesianism and neo-Keynesianism (and they are not the same thing) as dangerous, inflationary, and irresponsible. They restored the myths of balanced budgets and self-correcting markets.

Today, even self-described progressive politicians talk of "fiscal responsibility" and "living within our means." The Keynesian lesson — that the state must spend when demand collapses — has been buried under neoliberal dogma.

6. What answering Keynes would mean today

To take Keynes seriously today would require:

1. Rejecting arbitrary fiscal rules. Stop binding governments to debt and deficit ratios that ignore real needs.

2. Embedding automatic stabilisers. Ensure that public investment, welfare spending, and local government funding expand automatically when unemployment rises.

3. Targeting real resources, not financial myths. The true constraint is the availability of labour, skills, and ecological capacity, not an accounting balance.

4. Investing in the future. Spend on green transition, care, housing, and education to prevent hysteresis and build resilience.

Inference

The Keynes Question remains hauntingly relevant: *if the state must act as spender of last resort, why do governments refuse to spend when private demand fails?* The economics is clear. The refusal is political. It reflects ideology, vested interests, and the enduring power of myths about money.

Keynes showed us how to escape slumps. The real puzzle is why we still choose not to follow him. Until economics confronts that refusal, recessions will keep scarring lives, and austerity will keep eroding society in the name of lies.

17. The Paul Samuelson question

Paul Samuelson was, in some ways, the most influential economist of the twentieth century after Keynes. That is because his economic textbook, *Foundations of Economic Analysis*, was first published in 1947 and was (and to some extent, still is) widely used to educate generations of economists. In it, he formalised what he thought of as Keynesian ideas into equations and models. As a result, he helped turn economics into a mathematically rigorous discipline, giving it intellectual prestige and policy influence across the post-war world.
Samuelson's achievement in this regard was significant. He believed economics could become a science, capable of explaining behaviour, predicting outcomes and guiding policy. He did so based on two critical assumptions:

- That people are utility-maximising economic agents.
- The goal of economics is to establish a stable macroeconomic equilibrium.

Much of his analysis sought to explain why macroeconomic equilibrium is not achieved by conducting statistical analyses of issues that might produce supposedly suboptimal outcomes, thereby requiring policy adjustments.

His merger of Keynesian macroeconomics with neoclassical microeconomics created what became known as the "neoclassical synthesis", the framework that dominated economics teaching and policymaking for decades.

Yet here is the paradox: economics has never been more technically sophisticated than in Samuelson's wake, and yet:

- Governments have repeatedly failed to prevent crises.
- Inequality has deepened.
- Environmental collapse is accelerating, and
- Public policy seems chronically confused about what economies are for.

Hence The Paul Samuelson Question: *If economics can be expressed with great mathematical precision, why does it so often fail to guide governments toward stability, equality and genuine prosperity?*

The prestige of formalism

Samuelson helped make mathematics the language of modern economics. This gave the discipline authority. Models became cleaner, assumptions clearer, and results easier to test, at least internally. Economics began to look like physics.

This transformation did, however, have a cost. Over time, mathematical tractability became more important than realism. Human behaviour was simplified into optimisation. Institutions were reduced to being considered constraints. Power relations that underpin the reality of political economy disappeared into parameters. The economy in these models became an elegant abstraction of the one seen in the real world. Economic formalism produced clarity, but all too often about an imaginary world.

The neoclassical synthesis: compromise or confusion

Samuelson's great project was to reconcile Keynes with neoclassical economics. In the short run, markets could fail, requiring government intervention. In the long run, markets were assumed to work efficiently. This compromise stabilised post-war policy thinking. It justified welfare states, counter-cyclical spending and mixed economies. It was the foundation of what became known as neo-Keynesian.

But the trouble was that the synthesis was built on an inherent contradiction. If markets were assumed to be fundamentally efficient, any government intervention an economist might recommend would have to be temporary. The consequence was obvious. If government spending were justified only in times of crisis, because markets would otherwise produce optimal outcomes, then any form of longer-term public provision would become suspect. If equilibrium is the natural state, and once a crisis is resolved, markets can always deliver it, then socially unacceptable outcomes, such as persistent poverty and inequality, must be seen as a structural feature of market models that governments and society should, in principle, always accept. The short-term thinking that justified welfare states, counter-cyclical spending and mixed economies disappeared in the long term. The resolution was to assume perpetual crises: the consequence was the neoliberal suggestion that the neo-Keynesian system was itself flawed.

Samuelson's compromise was, then, politically powerful, but always analytically unstable and open to serious question that let the Keynesian thinking it supposedly promoted be swept away.

The textbook as a worldview

Samuelson's introductory textbook did more than teach economics, though. It defined what counted as economics. As a result, generations of students absorbed a particular narrative. Economics was all about:

- rational actors,
- efficient markets,
- trade-offs framed as technical choices, and
- policy presented as optimisation.

This shaped policymakers' instincts. Economics became a tool for managing scarcity rather than questioning distribution. It treated growth as a default good, inequality as a secondary issue, and ecological limits as external problems.

The textbook created a worldview that still governs debate, with negative consequences.

Precision without prediction

Modern economics can supposedly measure elasticities to decimal points, simulate equilibrium paths, and estimate complex models. Despite that:

- It failed to predict the 2008 crisis.
- It struggles to explain persistent inequality.
- It underestimates climate risk.
- It cannot resolve basic questions about productivity, stagnation or financial instability.

Samuelson would have recognised the irony. Mathematical sophistication has increased faster than explanatory power. The discipline knows more techniques than truths, and technical precision has become a substitute for economic understanding.

The disappearance of politics

Samuelson helped build a discipline that aspired to neutrality. Economics was assumed to be positive, and not normative, as a result describing what is, and not prescribing what should be. But policy cannot escape values. Decisions about taxation, welfare, investment and regulation are moral choices about distribution and responsibility. They are not technical.

By hiding behind technique, economics seeks to avoid these choices. It presents outcomes as inevitable, trade-offs as natural, and inequality as a technical constraint.

This is not neutrality. It is politics concealed in mathematics. The trouble is, mathematics is political in itself.

Why Samuelson still matters

It would be wrong to blame Samuelson for everything that followed. He believed in government action, public goods, and the social responsibility of economics. He was not a market fundamentalist. He helped legitimise Keynesian policy that improved millions of lives.

But his success made economics technically respectable and that respectability allowed the discipline to forget both humility and reality. Once economics looked like physics, it began to speak with unwarranted certainty. Policymakers treated models as maps, not approximations.

Samuelson's legacy is therefore double-edged: he gave economics authority without ensuring it kept its self-doubt.

What answering the Paul Samuelson Question would require

To respond honestly to Samuelson's legacy would mean recognising that technique is not enough. Economics must recover its connection to reality, ethics and institutions. That would require:

- Rebalancing mathematics with empirical humility. Economic models must explain observations of reality, and not replace them. Economics must remain a map and not seek to be the terrain.

- Restoring political economy by recognising that power, distribution and institutions are central, and not peripheral.

- Teaching the reality of uncertainty openly by abandoning the pretence of precise prediction in complex systems.

- Integrating ecological limits by acknowledging that growth models without a planetary context are incomplete.

- Democratising economic debate by ensuring policy is not determined solely by technical elites.

These changes would not weaken economics: they would both make it honest and enhance its status in society, and that matters.

Inference

The Paul Samuelson Question exposes a contradiction at the heart of modern economics. The discipline has achieved extraordinary technical (for which, read mathematical) refinement, and yet remains unable to answer the most important questions societies face, including:

- how to share prosperity fairly,
- how to prevent crises,
- how to sustain the planet, and
- how to ensure people live secure and meaningful lives.

Samuelson showed that economics could be technically elegant. The challenge now is to ensure it is also wise. The gap between technical economic knowledge and real economic understanding must be closed, and Samuelson's economics has not done that.

To answer his question is to accept that mathematics is a language, and not a guarantee of truth, and that political economy must be judged not by the beauty of its models, but by the well-being of the societies it helps create.

18. The James Tobin question

James Tobin, a Nobel laureate, advisor to presidents, and one of the most respected economists of the twentieth century, proposed a simple idea with extraordinary implications: a tiny tax on foreign exchange transactions, representing just a fraction of a per cent, and so small that long-term investors would barely notice, but significant enough to discourage the rapid-fire speculation that destabilises economies and enriches speculators while creating nothing of social value.

Tobin's proposal emerged in the early 1970s, just as financial markets were supposedly being liberated from the Bretton Woods constraints and global capital mobility was exploding. He saw what others refused to confront: that unconstrained finance was becoming an international casino, and society would end up paying the bill when the bets turned bad.

His logic was straightforward: if finance is going to extract wealth from society, society has a right, and even a responsibility, to reclaim a portion of it for public purpose.

Hence the James Tobin Question: ***If a small tax on financial speculation could curb destructive short-termism and fund the public good, why have governments allowed the financial sector to veto it for half a century?***

Finance without friction

Tobin understood that markets become dangerous when transactions are too cheap to think twice about. When speculation costs almost nothing, financial actors can gamble with trillions, moving capital across borders at the speed of light, destabilising currencies, pricing fundamentals out of existence, and triggering crises that governments must clean up.

As a result, he proposed introducing minimal friction into the system via taxation, not to halt finance, but to civilise it. This very small tax would force speculation to bear part of its social cost. Finance would be nudged away from destructive churn and toward investment grounded in the real economy.

It was a modest proposal for a world facing an immodest problem.

Wall Street declared war

From the moment Tobin proposed the tax, the financial industry recognised the existential threat that it created of accountability. The response was fierce:

- The tax was dismissed as naïve.
- It was attacked as being anti-market.
- It was branded a threat to liquidity, and
- Condemned as a brake on so-called efficiency.

Behind the rhetoric was fear, not of economic harm, but of losing political dominance. The idea that finance should pay its way challenged the doctrine of market infallibility that underpinned deregulation and rent extraction. So the industry killed the idea, softly, relentlessly, globally.

The 2008 crisis proved Tobin right

When the financial system imploded in 2008, the public paid with bailouts, unemployment, austerity, lost pensions, and shattered lives, a fate shared with many smaller businesses.

The crisis revealed that finance had grown too large, too leveraged, too unregulated and too unaccountable. It was a system that privatised gains and socialised losses, exactly as Tobin had warned.

And yet, after the dust settled, the system was rebuilt with the same architecture, the same incentives, the same political protection and still with no Tobin Tax.

The revenue could transform society

A small levy on high-frequency transactions could raise tens of billions annually in a single country like the UK, and hundreds of billions worldwide. That revenue could shift the demands for taxation to control inflation from work onto finance, and in the process would reprice finance so that it would bear the costs of its own economic externalities. A Tobin Tax would shift power from unproductive speculation to public purpose. It is no wonder that the finance industry opposed it.

The myth of liquidity exposed

Critics insist that taxing speculation would reduce liquidity, which they consider essential to the survival of their chosen economic system of speculation. However, much of today's liquidity is high-frequency noise, driven not by allocating resources efficiently but by harvesting fleeting arbitrage profits. They miss the point that liquidity that destabilises is not liquidity at all. It is systemic risk, rebranded.

What answering the James Tobin Question would require

To finally adopt the Tobin Tax, in both spirit and function, would require:

- Reasserting democratic control over finance, acknowledging that markets exist by public permission, and not divine right.
- Exposing the myth that finance is always productive, recognising that speculation is often a form of rent extraction.
- Building international cooperation, refusing to allow capital flight to blackmail governments.
- Confronting concentrated power because finance will not give up privileges without resistance.
- Reframing taxation as civic responsibility, especially for those who profit most from globalisation while contributing least to the societies that enable it.

This is not a technical challenge but a political one.

Inference

The James Tobin Question reveals a stark truth: the obstacle to a fairer financial system is not complexity, but power.

A tax so small most citizens would never notice it could reduce volatility, raise significant public funds, and push finance toward serving the real economy. For half a century, we have known this, and for half a century, we have allowed the financial sector to say "no".

To answer Tobin's question is to ask a more fundamental one: who governs our economy? Is it public institutions accountable to citizens, or private interests accountable only to themselves?

If democracy means anything in economics, the Tobin Tax should already exist.

Its absence is the measure of how much democracy we have left to win.

19. The Joan Robinson question

Joan Robinson (1903 - 1983) was one of the most formidable economists of the twentieth century. A close collaborator of John Maynard Keynes and a central figure in the Cambridge school of economics, she helped shape the development of modern macroeconomics while simultaneously becoming one of its fiercest internal critics.

Robinson believed that economics was far too important to be confined to elegant models and concepts such as the abstract notion of equilibrium. In her view, the discipline had, even at the time she wrote, drifted away from the realities it was supposed to explain:

- how wealth is produced,
- how it is distributed, and
- how economic systems shape human lives.

Theories that treated markets as neutral mechanisms or reduced economic life to optimisation problems struck her as intellectually evasive.

She once remarked that the purpose of studying economics is "not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists." That warning has only grown more relevant.

Hence **The Joan Robinson Question:** ***If economics teaches students how markets supposedly work but discourages them from asking who benefits, who loses, and who holds power, what kind of knowledge is it really producing?***

Economics and the problem of power

Robinson believed that mainstream economics systematically neglected power. Market outcomes were presented as the result of voluntary exchange between equal participants, yet real economies are full of asymmetries:

- corporations dominate workers,
- landlords dominate tenants,

- financial institutions dominate borrowers, and
- wealthy interests influence governments.

Ignoring power does not make it disappear. It simply hides it. By abstracting away from institutions and social relations, economics can present deeply political outcomes as technical results.

For Robinson, this was not merely a methodological problem. It was a form of intellectual blindness.

The myth of perfect competition

One of Robinson's early and most influential contributions was her work on imperfect competition. She showed that the textbook world of perfect competition, where supposedly countless firms, perfect information, and no market power, bears little resemblance to real economies dominated by large firms, strategic behaviour and barriers to entry.

Despite that, the theory of perfectly competitive markets continues to dominate economic teaching and policy advice. Robinson understood why: the model produces tidy results about efficiency and equilibrium that suit the needs of economists. Real economies are messy and contested, and that makes economics hard and unpredictable.

Rbinson's point was that when the economic model becomes more important than the world it describes, economics ceases to illuminate reality.

Capital and the Cambridge controversies

Robinson was also a central figure in the famous Cambridge capital controversies. These debates revealed deep flaws in the way mainstream economics treats capital. Orthodox theory assumed that capital could be measured independently of prices and distribution, allowing neat models of productivity and growth.

Robinson and her colleagues showed that this assumption was circular. The value of capital depends on income distribution, and income distribution depends on the value of capital. The theoretical foundations of neoclassical production theory were far less secure than textbooks implied.

The controversy exposed an uncomfortable truth: some of economics' most familiar concepts rested on fragile intellectual ground.

Economics as ideology

Robinson increasingly came to believe that economics was not simply a science but also an ideology; a way of legitimising particular social arrangements. She believed that economic theories can present existing distributions of wealth and power as natural outcomes of market forces rather than the result of political decisions. When this happens, she suggested, economics stops asking normative questions. Inequality becomes a parameter rather than a problem. The discipline begins to explain the world in ways that justify it.

Robinson warned that economists must remain alert to this danger, because the authority of economics gives its ideas immense political influence.

The role of history and institutions

Robinson also argued that economics cannot be separated from history. Institutions evolve. Technologies change. Social norms shift. A model that treats the economy as timeless and universal misses the forces that actually drive development and crisis.

She therefore urged economists to reconnect their work with economic history, politics and philosophy. Without this context, economic analysis becomes sterile, capable of solving problems that exist only inside its own models.

For Robinson, political economy was richer precisely because it refused to isolate economics from the rest of social life.

What answering the Joan Robinson Question would require

Taking Robinson seriously would require a reorientation of economics away from abstraction and toward realism. At minimum, that would involve:

- Recognising power as central to economic outcomes, not an external complication.
- Teaching about markets as institutions embedded in law and politics, and not as self-contained mechanisms.

- Re-examining the theoretical foundations of production and capital, rather than treating them as settled.
- Integrating economic history and political economy into economic education.
- Encouraging critical thinking about economic ideas, including the possibility that widely accepted theories may serve ideological functions.

These changes would not undermine economics. They would restore its intellectual integrity.

Inference

The Joan Robinson Question challenges the discipline of economics to confront its own habits of thought. By presenting markets as neutral and models as objective, economics risks obscuring the social forces that shape economic life: power, institutions, history and politics.

Robinson's legacy is therefore not a single theory but a refusal to accept tidy explanations that conceal messy realities. She reminds us that the purpose of economic inquiry is not to defend existing arrangements, but to understand how economies actually function and how they might be improved.

To answer her question is to recognise that economics must remain self-critical if it is to remain truthful, and that the most dangerous mistake a discipline can make is to stop questioning its own assumptions.

20. The Abba Lerner question

Abba (Abraham) Lerner (1903 - 1982) was one of the most original economists of the twentieth century, yet he remains far less well known than many of his contemporaries. Working alongside and extending the ideas of John Maynard Keynes, Lerner developed what he called functional finance, which is a radically simple proposition that cuts through much of the confusion surrounding government budgets.

Lerner argued that governments should not treat their finances as if they are households balancing their bank statements. He pointed out that the state issues the currency that the economy uses. Its fiscal policy should therefore be judged not by whether the budget is balanced, but by whether the economy functions well: whether people who want work can find it, whether inflation is controlled, and whether resources are used productively.

In other words, fiscal policy should be evaluated by its outcomes, not by accounting conventions.

Hence the **Abba Lerner Question:** ***If the purpose of government finance is to ensure full employment, price stability and social wellbeing, why do we continue to judge fiscal policy by arbitrary rules about deficits and debt rather than by whether it actually works?***

The difference between sound finance and functional finance

Lerner contrasted two ways of thinking about public budgets. The traditional doctrine of sound finance treats government like a prudent household: deficits are dangerous, debts must be repaid, and balanced budgets are a sign of responsibility.

Functional finance rejects this analogy. A sovereign government's finances are not constrained in the same way as private finances because the state creates the currency used to pay taxes and settle obligations. What matters is not whether the books balance in any particular year, but whether fiscal policy achieves economic stability and social goals.

Balanced budgets may sometimes be appropriate. At other times, they are disastrous. The test is function, not form, hence the name given to this thinking.

Unemployment as a policy failure

For Lerner, persistent unemployment is evidence that fiscal policy is too tight. If people who want to work cannot find jobs, the government has failed to create sufficient demand in the economy. The appropriate response is straightforward: increase spending or reduce taxes until employment is restored.

This approach turns the usual narrative upside down. Instead of asking whether the government can "afford" to support employment, Lerner asks whether society can afford not to. Idle labour and unused resources represent lost production and unnecessary suffering.

Functional finance, therefore, places employment, not deficit reduction, at the centre of economic policy.

Inflation as the real constraint

Lerner did not deny that government spending has limits. The limit is inflation. When the economy reaches full capacity, and additional spending pushes prices upward, fiscal policy must adjust, either through taxation, spending reductions, or other measures that reduce demand.

This is a crucial point often missed by critics. Functional finance is not an argument for unlimited spending. It is an argument for using fiscal policy actively and intelligently, guided by real economic conditions rather than arbitrary financial targets.

In Lerner's framework, the constraint is not the size of the deficit but the availability of resources.

The politics of deficit fear

If Lerner's reasoning is so clear, why has it been resisted? One reason is political. The language of fiscal restraint serves powerful interests. It disciplines governments, limits public investment, and narrows the range of legitimate policy options.

Deficit anxiety can therefore function as a political tool. By presenting government spending as inherently risky or irresponsible, it discourages policies that might redistribute wealth, strengthen public services or expand social protection.

Lerner understood that economic doctrines can become ideological shields for existing power structures.

Functional finance and modern monetary debates

In recent decades, Lerner's ideas have found renewed attention through debates about modern monetary theory and fiscal policy in sovereign currency systems. These discussions echo Lerner's central insight: that governments must focus on the real economy and employment, productivity, inflation, and public well-being, rather than treating deficits as moral failures.

The persistence of austerity policies after financial crises demonstrates how far policy remains from this principle. Governments often tighten budgets precisely when the economy most needs support.

In Lerner's terms, this is the opposite of functional finance.

What answering the Abba Lerner Question would require

Taking Lerner seriously would require shifting the framework through which fiscal policy is judged. At minimum, that would involve:

- Evaluating government spending by its economic outcomes, not by deficit targets.
- Treating unemployment as a signal of insufficient demand, not as an unavoidable market outcome.
- Using taxation as a tool to manage inflation and inequality, not merely to “fund” spending.
- Rejecting household analogies in public finance, recognising the institutional differences between states and private actors.
- Designing fiscal policy around real resources and social needs, rather than financial myths about affordability.

These changes would not make policy reckless. They would make it responsive to economic reality.

Inference

The Abba Lerner Question reveals how much of modern fiscal debate rests on misleading analogies and inherited habits of thought. Governments that control their own currencies are not constrained in the same way as households, yet public discourse continues to treat budget deficits as evidence of irresponsibility rather than as policy tools.

Lerner's insight was simple but profound: the success of economic policy should be judged by whether it delivers employment, stability and shared prosperity. Fiscal rules that ignore these outcomes are not safeguards of prudence — they are obstacles to effective governance.

To answer Lerner's question is to recognise that public finance should be guided by purpose rather than by accounting ritual and that the ultimate test of fiscal policy is whether the economy works for the people who live within it.

21. The Wynne Godley question

Wynne Godley was not a fashionable economist. He did not offer elegant optimisation models or reassuring market narratives. Instead, he did something far more dangerous: he insisted on accounting consistency. Godley's work was grounded in a simple, unavoidable truth, which is that in a closed system, financial flows must balance. What one sector spends more than its income, another must spend less. Deficits and surpluses are not moral choices; they are accounting identities.

From this starting point, Godley developed a framework of sectoral balances and stock-flow consistent modelling that allowed him to do something almost no mainstream economist managed, which was to predict crises before they happened, and explain precisely why they would happen. He warned repeatedly that policies designed to force governments into surplus would, by necessity, push households or firms into debt. He foresaw the unsustainability of the US boom of the late 1990s, the fragility of the UK economy, and the inevitability of the eurozone crisis. His predictions were not lucky. They were arithmetically inevitable.

Hence, the Wynne Godley Question: *If the financial balances of the economy must add up, and governments can see this in advance, why do they continue to pursue policies that make crises inevitable and then pretend to be surprised when they arrive?*

Accounting as realism, not ideology

Godley's economic starting point was disarmingly simple. He said that you cannot ignore accounting identities. The government sector, the private domestic sector and the foreign sector together must sum to zero. If one sector runs a surplus, another must run a deficit. This is not a theory. It is a fact.

Yet modern economic policy routinely behaves as if this were optional. Governments talk about "balancing the books" without asking whose books will be unbalanced as a result. They celebrate public surpluses while ignoring the private debt that must emerge elsewhere. Godley saw this as not merely an intellectual error but a form of institutionalised denial.

The fallacy of virtuous government surpluses

Godley was particularly critical of the political obsession with government surpluses. A government surplus is often presented as proof of prudence and responsibility. Godley showed that it is usually a warning sign. If the foreign sector is in surplus, as it is for countries running trade deficits, then a government surplus can only be achieved by forcing the private sector into deficit.

That deficit must then be financed by borrowing. Household debts then necessarily rise, meaning financial fragility increases. A crisis becomes a matter of time, not chance.

Godley's analysis revealed that what politicians call "sound finance" often amounts to deliberately engineering private instability.

Why crises are predictable

Because Godley's models tracked stocks as well as flows, they revealed how imbalances accumulate over time. Rising private debt is not a neutral adjustment; it is a destabilising process. When income growth cannot support debt growth, collapse follows.

This is why Godley could predict recessions and crashes with unsettling accuracy. He was not forecasting sentiment. He was reading the balance sheets. Where mainstream economics saw equilibrium, Godley saw trajectories heading toward breakdown.

The fact that policymakers ignored these warnings is one of the great indictments of modern economic governance.

Europe as a monument to ignored accounting

The eurozone crisis was a textbook Godley moment. By removing monetary sovereignty from member states while allowing free capital movement, the euro locked countries into a system where trade imbalances could not be corrected. Surpluses in Germany required deficits elsewhere. Those deficits showed up as private debt in Spain, Greece and Ireland until the system broke.

Godley warned that the euro would fail without a fiscal union. He was dismissed as pessimistic. Crises proved him right. The suffering that followed was not inevitable. It was the price of ignoring arithmetic.

The moral dimension of consistency

Godley's work carries a moral force that is often overlooked. Policies that ignore sectoral balances do not fail randomly. They fail by shifting risk and pain onto households, workers and the vulnerable. Austerity is not neutral. It reallocates instability downward.

By insisting on stock-flow consistency, Godley sought to force policymakers to confront responsibility. If a government chooses to cut its deficit, it must be honest about who will absorb the corresponding deficit instead. There is no escape from that choice, only denial.

Why Godley was sidelined

Godley's approach was inconvenient. It stripped away comforting narratives about discipline, thrift and market self-correction. It exposed how fiscal rules, balanced-budget targets and austerity programmes are often incoherent. And it implied that governments have far more responsibility, and far more power, than they admit.

Mainstream economics prefers models that allow failure to be blamed on shocks, irrationality or bad luck. Godley allowed no such refuge. When the numbers did not add up, the policy was wrong.

What answering the Wynne Godley Question would require

To take Godley seriously would require a fundamental change in how economic policy is designed and justified. That would mean:

- Putting sectoral balances at the centre of fiscal policy requires asking who will run deficits when the government does not.
- Abandoning fetishism about balanced budgets means recognising that government deficits are often necessary for private stability.
- Using stock-flow consistent models in policymaking means tracking debt accumulation and balance-sheet fragility explicitly.

- Ending austerity economics requires acknowledging it as a recipe for private indebtedness and crisis.

- Restoring honesty to economic debate means admitting that fiscal choices redistribute risk, not eliminate it.

These steps would not make policy reckless. They would make it coherent.

Inference

The Wynne Godley Question exposes a deep failure at the heart of modern political economy: the refusal to accept arithmetic based on accounting logic that creates undeniable identities that policymakers cannot avoid. Godley showed that economies are not governed by moral stories about thrift and discipline, but by balance sheets that must reconcile. Ignoring those balances does not produce virtue. It creates a crisis.

That governments continue to ignore these truths, even after repeated disasters, is not ignorance. It is a choice, including a choice to prioritise ideology over accounting, narrative over reality, and political convenience over social stability.

Godley's legacy is therefore both analytical and ethical. He reminds us that economic responsibility begins with honesty about who bears the consequences of policy, and that pretending otherwise is not just bad economics, but bad governance.

Chapter 5 — The neoliberal turn

Introduction

Something emerged in the late 1970s and early 1980s that changed almost everything about political economy and how governments understood their role, how markets were regulated, how labour was treated, and what was considered economically permissible. It had a name, neoliberalism, and it had architects, funders, and intellectual foundations that were not, for the most part, the result of disinterested inquiry. Understanding those foundations is not an academic exercise. They remain the scaffolding of policies being implemented today.

Friedrich Hayek raised legitimate concerns about central planning and the limits of state knowledge, but he could not, or chose not to, see that unregulated private power poses at least an equal and equivalent threat to freedom. The road to serfdom runs in more than one direction.

Milton Friedman provided the intellectual armour for a systematic dismantling of every institution from unions to public services and financial regulation that had kept capitalism's worst tendencies in check. His doctrine that the sole social responsibility of business is to maximise shareholder profit has done as much damage as any single idea in the history of economics.

James Buchanan is less well known than Hayek or Friedman, but his influence has been at least as consequential and considerably more insidious. His public choice theory constructed an intellectual case for insulating wealth from democratic challenge and for embedding constitutional constraints that would make it structurally impossible for majorities to use government to redistribute resources or restrain capital. The fiscal rules, debt targets, and independent technocratic bodies that have proliferated across the democratic world all carry his fingerprints.

Robert Nozick provided the philosophical framework for a libertarianism that treated almost any taxation beyond the minimal state as coercive by definition. This is a position that is only coherent if you ignore the history of how existing property distributions came into being. Nozick did.

Gary Becker extended economic logic into every corner of human life, colonising the social with the language of markets and reducing relationships, institutions, and moral questions alike to cost-benefit calculations. The consequences for how we think and talk about education, family, work, and care have been quietly catastrophic.

Greg Mankiw codified this worldview into a textbook that has shaped the economic instincts of millions of students and policymakers, presenting as neutral and scientific a set of deeply political assumptions about how markets work and who deserves what they get from them. This is the way that neoliberalism has worked, seeking, largely unseen and without expressly stating its goals, to undermine the nature of established human relationships and to replace them with market-based logic.

Taken together, these thinkers represent an intellectual project whose purpose was not to understand the economy but to defend a particular distribution of power within it. Naming that clearly is the necessary first step toward thinking beyond it.

22. The Friedrich Hayek question

Friedrich Hayek argued that markets, not governments, should be the primary mechanism for allocating resources. In his famous book, The Road to Serfdom, published in 1944, he warned that state planning would inevitably lead to tyranny. Freedom, he claimed, depended upon markets left to operate without interference.

His ideas became the intellectual foundation for the neoliberal turn of the late 20th century. Thatcher and Reagan drew directly on Hayek to justify privatisation, deregulation, and the retreat of the state. In their rhetoric, markets would deliver efficiency, innovation, and liberty. Government, by contrast, was cast as the enemy: clumsy, coercive, and dangerous.

But the lived results of four decades of neoliberalism tell a different story. Instead of liberty, we have insecurity. Instead of dispersed opportunity, we have concentrated wealth. Instead of democratic control, we have captured politics. Which brings us squarely to the **Friedrich Hayek Question**: ***if markets are left to decide everything, how can democracy, fairness and collective need survive?***

1. Markets and the myth of neutrality

Hayek believed markets were neutral arenas. Through price signals, he argued, they coordinate the dispersed knowledge of millions of individuals better than any planner could. The market, in this story, is simply a mechanism, free from bias.

But markets are not neutral. They are embedded in institutions, rules, and power relations. Who owns assets, who sets wages, and who controls credit all play a role in determining outcomes. A market is not a disembodied calculator. It is a system structured by power. To ignore that is to ignore reality.

2. Markets and inequality

Left to themselves, markets concentrate wealth. Those who begin with assets earn returns; those without are left behind. Over time, this dynamic compounds. Monopoly power emerges. Oligarchs dominate. Far from dispersing opportunity, unregulated markets narrow it.

Hayek claimed markets protect liberty. In reality, concentrated wealth erodes it. The billionaire who owns your housing, your job, and your media has as much power over your life as any government bureaucrat. Markets unchecked do not disperse power; they entrench it.

3. Markets and insecurity

Hayek dismissed collective guarantees, such as welfare states and public services, as dangerous steps toward central planning. But without them, insecurity flourishes. Markets are volatile. Jobs are lost. Illness strikes. Housing becomes unaffordable. A society that relies only on markets leaves individuals exposed to risks they cannot control.

True liberty requires security: the ability to live without constant fear of destitution. That cannot be delivered by markets alone. It requires collective provision.

4. Markets and democracy

Markets, when left unchecked, also undermine democracy. Wealth buys influence. Corporations fund campaigns, lobby politicians, and shape regulation in their favour. Policy ceases to reflect the will of citizens and instead reflects the interests of capital.

We see this clearly in tax havens, financial deregulation, and privatisation. Markets did not emerge spontaneously. They were designed and sustained by governments captured by wealth. To imagine that markets can exist without politics is a fantasy.

5. Markets and collective need

Markets respond to purchasing power, not to need. If clean air cannot be bought and sold, markets ignore it. If the poor cannot pay for healthcare, markets deny it. If climate change is an externality, markets discount it.

Collective needs such as public health, education, environmental stability, and collective infrastructure are systematically undervalued by markets. Meeting them requires deliberate public action. Left to themselves, markets will not provide.

6. What Hayek missed

Hayek was right to fear unaccountable state power. However, he overlooked the fact that unaccountable private power can be just as corrosive. Liberty is not only threatened by governments. It is also threatened by monopolies, landlords, creditors, and employers.

By insisting that markets must decide everything, Hayek ended up defending the liberty of the few at the expense of the many. His vision of freedom was narrow: freedom from the state, but not freedom from want, insecurity, or domination by capital.

Inference

The Hayek Question exposes the core contradiction of neoliberalism. Markets cannot decide everything without destroying democracy, fairness, and collective need. They concentrate wealth, generate insecurity, ignore public goods, and capture politics.

True freedom requires more than markets. It requires democratic states willing to constrain capital, provide collective goods, and guarantee security. Hayek warned that planning leads to tyranny. But our experience shows the reverse: markets left to themselves lead not to liberty, but to oligarchy and insecurity.

If we want democracy, fairness, and collective survival, markets must be tools, not masters.

23. The Milton Friedman question

Milton Friedman was the great evangelist of free markets in the twentieth century. His book Capitalism and Freedom (1962) and his advocacy of monetarism turned him into the intellectual godfather of neoliberalism.

He taught that the purpose of business is to maximise shareholder value, that markets should be left to allocate resources, and that governments should confine themselves to protecting property rights, enforcing contracts, and controlling the money supply.

In Friedman's vision, almost everything else was waste or distortion:

- Regulation, welfare, and social safety nets were all painted as threats to liberty.
- Taxes were viewed not as an essential part of the fiscal cycle, supporting the process by which communities can build collective goods and well-being, but rather as a form of confiscation.
- Collective bargaining was recast as interference.

In the Friedmanite worldview, markets alone could deliver prosperity, efficiency, and freedom.

And yet, half a century on, the results of Friedman's intellectual crusade are visible all around us:

- Inequality has soared.
- Wages have stagnated.
- Financial crises have multiplied.
- Public services have been hollowed out.
- Politics has been captured by wealth.
- The promise of liberty has become a reality of insecurity.

This leads us to the **Milton Friedman Question:** *if everything is reduced to markets and money, how can society survive when its values, obligations and collective purposes are all stripped away?*

1. The cult of the market

Friedman insisted that markets are the only reliable mechanism for coordinating human activity. He believed prices transmit all the information required to allocate resources efficiently. If you trust the price system, you don't need messy politics. You don't need collective decisions. You don't need government "interference."

This cult of the market has become orthodoxy. From the 1980s onwards, governments were told their role was to "get out of the way." Privatisation, deregulation, liberalisation — these were the watchwords. Markets would provide, and society would thrive.

But markets are not neutral. They are shaped by power, wealth, and politics. The price of a medicine may not reflect its social importance, but the monopoly of the company that holds its patent. The wage of a worker may reflect not their contribution, but their lack of bargaining power. The cult of the market does not deliver justice. It delivers the outcomes of power relationships disguised as efficiency.

2. The hollowing of democracy

Friedman saw democracy and markets as complementary, but he feared that democracy could threaten markets by allowing people to vote for redistribution. His solution was to constrain democracy in the name of liberty. Independent central banks, fiscal rules, and global treaties that enshrined free trade were all required to tie the hands of elected governments.

The result has been a hollowing out of democracy itself. Citizens can still vote, but the range of options available to them has shrunk. Almost all politicians repeat that "the markets" demand austerity, deregulation, and fiscal restraint. Democratic choice is neutered by market veto. To use a term familiar to readers of this blog, politics has been reduced to choosing which part of the single transferable party should govern.

This is not liberty; it is subordination. It is the inversion of democracy; government of the markets, by the markets, for the markets.

3. The destruction of social obligation

For Friedman, the social responsibility of business was "to increase its profits." This phrase, now repeated endlessly in boardrooms and business schools, has had devastating effects.

- It has justified the extraction of short-term profit at the expense of workers, communities, and the environment.
- It has redefined companies as machines for shareholder enrichment, not social institutions with widespread responsibilities.
- It has been used to legitimise tax avoidance, attacks on trade union rights, and the erosion of job security.

By reducing everything to money, Friedman's doctrine stripped business of moral obligation. What mattered was not whether a company treated its workers well, served its community, or protected the environment; all that mattered was whether it delivered high returns to its shareholders.

4. The rise of inequality and insecurity

The Friedmanite revolution promised prosperity. What it delivered was inequality.

- The gains of growth since the 1980s have flowed overwhelmingly to the wealthy.
- Real wages for most ordinary workers have stagnated.
- Job security has been eroded by casualisation and the gig economy.
- Whole regions have been hollowed out by deindustrialisation.

This is not accidental. It is the predictable result of an ideology that prioritised capital over labour, shareholders over workers, private wealth over public good.

5. The fragility of a market-only society

A society cannot survive if every value is reduced to a price tag. Markets cannot measure dignity, fairness, solidarity, or care. They cannot price the bonds between generations. They cannot substitute for trust or community.

When markets are allowed to decide everything, what is not profitable is neglected:

- Care work is undervalued.
- Public health is underfunded.
- Education is starved.
- The environment is plundered.

Society becomes brittle because its foundations are treated as "externalities."

This is the core of the Friedman Question. By reducing everything to markets and money, we undermine the very conditions that make markets possible: a stable, cohesive, fair society.

6. What would answering Friedman require?

To answer the Friedman Question is to reject the fantasy that markets alone can sustain society. It requires:

1. Restoring democracy over markets. Policy must be guided by social purpose, not by what financial markets demand.
2. Reasserting social obligations. Business is a social institution. It must be taxed fairly, treat workers decently, and serve the public good.
3. Valuing what markets neglect. Care, education, health, and environmental stability are the foundations of prosperity. They require public investment, not marketisation.
4. Constraining capital. Wealth must be taxed, monopolies broken up, and finance directed into productive, sustainable uses.

Inference

The Friedman Question asks us to confront the consequences of an ideology that made a god of the market and a heresy of social obligation. For forty years, we have lived under its shadow: rising inequality, collapsing services, hollowed-out democracy, and an economy that works for the few while undermining the many.

Friedman told us that liberty would flourish when markets reigned. The truth is the reverse. Liberty, fairness, and democracy decline when society is reduced to a balance sheet.

The lesson is clear: a civilisation cannot be built on markets alone. It must rest on values beyond money, such as care, justice, solidarity, and the recognition that we are citizens before we are consumers.

24. The James Buchanan question

James Buchanan is less well known to the general public than Hayek or Friedman, but his influence on modern politics has been profound — and dangerous. A Nobel laureate in economics, he pioneered what he called *public choice theory*.

At first glance, this sounds innocuous: it applies economic reasoning to politics.

In practice, it became a doctrine that treated democratic governments not as expressions of collective will, but as threats to individual liberty — especially the liberty of property owners.

Buchanan argued that politicians are self-interested, voters are irrational, and bureaucrats are rent-seekers. The solution, he claimed, was to shackle democracy itself. Constitutions, fiscal rules, super-majority requirements, and balanced budget mandates were all designed to tie the hands of elected governments, preventing them from responding to the demands of ordinary citizens.

His ideas became intellectual weapons for the American right, the Koch network, the Tufton Street organisations and so-called think-tanks, and beyond. They were deployed to portray democracy as a danger to freedom, because the majority might vote to tax the rich or expand social programmes.

Which brings us to **the James Buchanan Question**: ***if economics is redesigned to protect the wealthy minority from the democratic majority, how can democracy itself survive***?

1. Public choice and its poisoned well

Public choice theory claimed to strip away the "romance" of politics. Politicians were self-serving, voters were irrational, and interest groups were greedy. Democracy, in this view, could never be trusted to deliver wise decisions.

However, it is essential to note the asymmetry in all this. Buchanan applied suspicion only to governments and citizens, and never to capital or corporations. Business leaders were assumed to be efficient and productive. Voters demanding schools, healthcare, or fair wages were painted as parasitic. Public choice was not a neutral analysis. It was a political project dressed as economics.

2. Democracy as a threat to wealth

Buchanan's central fear was "taxation by the majority." If the poor outnumbered the rich, they might vote to redistribute wealth. His answer was to build constitutional barriers against democracy, incldiung balanced budget requirements, narratives around limits on taxes, and in the US, supermajority requirements for spending, as well as independent central banks to control the actions of government.

Each of these devices weakened the ability of elected governments to act. The effect was to insulate wealth from democratic challenge. Buchanan's economics was not about efficiency; it was about class defence.

3. The neoliberal use of Buchanan

These ideas were seized upon by the American right. Charles Koch funded entire university departments to spread Buchanan's gospel.

Think tanks translated his theory into policy.

Legislators rewrote state constitutions in the US South to embed fiscal straightjackets, making it impossible to raise taxes or expand services even when voters demanded them.

The pattern is familiar worldwide. In Europe, fiscal rules and balanced-budget treaties limit democratic choice.

In the UK, Treasury orthodoxy imposes arbitrary debt targets.

Everywhere, unelected technocrats are empowered while parliaments are sidelined. Buchanan's fingerprints are on all of it.

4. The hollowing of democracy

The consequences are corrosive.

Citizens are told their vote cannot change economic fundamentals.

Parties campaign on transformation but govern with the same fiscal straightjacket.

People experience democracy as impotent, and disillusionment deepens.

Into that vacuum step populists who promise to smash the system, but often only entrench oligarchy further.

By treating democracy as the problem, Buchanan helped turn it into one. If citizens feel the ballot box cannot deliver justice, they will eventually turn against democracy itself.

5. Why Buchanan matters now

The Buchanan Question matters because his project is not history. It is alive in every fiscal rule that forbids public investment, in every demand that governments "cannot afford" public services, and in every treaty that locks in austerity.

Buchanan gave the wealthy a shield against democracy. He designed economics not to explain the world but to restrain it; to bind majorities and protect minorities of wealth. It is no accident that his work was championed by those who stood to gain most from a politics that neutralised democracy.

6. What answering Buchanan requires

If we are to answer the Buchanan Question, we must reject his premise. Democracy is not a danger to be constrained; it is the foundation of legitimacy. That means:

1. **Dismantling fiscal straightjackets.** Debt and deficit limits that ignore real needs must go. Elected governments must be free to use fiscal capacity to meet public purpose.

2. **Exposing the class bias of "neutral" rules.** Balanced budgets are not neutral economics — they are political choices to favour wealth.

3. **Re-empowering citizens.** Taxation and spending must be recognised as democratic tools for shaping society, not as dangerous concessions to be restrained.

4. **Naming the ideology.** Public choice theory was never neutral. It was designed to delegitimise collective action. We must say so openly.

Inference

The Buchanan Question is stark. If we allow economics to be weaponised to defend wealth against democracy, democracy cannot survive. The point of public choice theory was not to understand politics but to disable it.

Answering Buchanan means reclaiming democracy from the constraints he designed. It means affirming that collective needs — health, education, care, climate action — are legitimate, and that governments must have the tools to deliver them.

Buchanan asked how the wealthy minority could protect itself from the democratic majority. Our answer must be the reverse: how can the democratic majority protect itself from the wealthy minority?

25. The Robert Nozick question

Robert Nozick set out one of the most influential defences of libertarian political economy in his 1974 book *Anarchy, State, and Utopia*. Writing partly in response to egalitarian theories such as those of John Rawls, Nozick argued that justice should not be judged by the pattern of outcomes and who ends up with what, but by the process through which those outcomes are generated.

His theory of justice, often called the entitlement theory, rests on three principles:

- just acquisition,
- just transfer, and
- rectification of past injustice.

If property is acquired and transferred according to these principles, then any resulting distribution, however unequal, is, in his view, just.

This is a powerful and unsettling claim.

Hence, the **Robert Nozick Question:** ***If a distribution of wealth arises from voluntary exchanges, does that make it just, even when the result is extreme inequality and deprivation for others?***

Justice as history, not pattern

Nozick rejected the idea that justice requires a particular pattern of distribution, such as equality or fairness defined by outcomes. Instead, he argued that justice is historical. What matters is how holdings came about, not how they are distributed at any given moment.

This perspective shifts attention away from inequality itself and toward the legitimacy of transactions. If individuals freely choose to exchange goods and services, then the resulting distribution reflects those choices.

For Nozick, any attempt to impose a pattern of equality, for example, through taxation or redistribution, violates individual rights.

The Wilt Chamberlain example

Nozick illustrated his argument with a thought experiment. Suppose, he argued, a society begins with an equal distribution of wealth. People then voluntarily pay to watch a basketball player, Wilt Chamberlain, and he becomes very rich. The new distribution is unequal, but it arises from voluntary exchanges.

Nozick concluded that this inequality is just because it reflects individual choices. To restore equality would require interfering with those choices, effectively taking resources from Chamberlain without his consent, and Nozick argued that this was ethically unacceptable.

The example is elegant, simplistic and controversial.

The minimal state

From this framework, Nozick derives a strong argument for a minimal state. The suggestion he made was that the legitimate functions of government are limited to protecting individuals against force, theft and fraud, and enforcing contracts. Any broader role, including redistribution for welfare or equality, was seen by Nozick as an infringement on individual rights.

Taxation at levels required beyond these minimal functions was, Nozick argued, akin to forced labour because it compelled individuals to work for others.

This view has had a lasting influence on libertarian and free-market thought. The argument that taxation is theft is still widely heard.

The problem of initial acquisition

A critical question in Nozick's theory concerns the initial acquisition of property. For holdings to be just, he argued that they must originate from legitimate appropriation of unowned resources. Nozick acknowledged this issue but offered limited guidance on assessing historical injustices.

In practice, many existing property distributions have been shaped by colonialism, dispossession and unequal power. If these histories are taken seriously, the claim that current distributions are just becomes far more difficult to sustain.

The strength of Nozick's theory depends heavily on assumptions about the past, which his theory does not address.

Voluntariness under conditions of inequality

Nozick's emphasis on voluntary exchange also assumes that individuals participate in markets freely. Critics argue that economic necessity can undermine this freedom. A worker who must accept any job to survive may formally consent, but the range of choices available is constrained.

If exchanges occur under conditions of significant inequality, the distinction between voluntary agreement and coercion becomes blurred. This raises questions about whether market outcomes can be considered fully just.

Nozick's framework offered only limited tools for addressing these concerns.

What answering the Robert Nozick Question would require

Engaging seriously with Nozick's argument would involve confronting several difficult issues. At a minimum, this would require:

- Examining the historical origins of property and wealth, including past injustices. Conflicts resulting from doing this have now arisen, with considerable resentment at the questioning being witnessed amongst right-wing commentators influenced by Nozick.

- Assessing the conditions under which exchanges take place, paying particular attention to the role of economic necessity, which undermines the concept of willing participation in the market.

- Balancing individual rights with collective outcomes, recognising that extreme inequality can affect social stability and opportunity.

- Clarifying the role of the state, including whether it should address disparities that arise even from voluntary processes.

- Defining justice in a way that accounts for both process and consequence.

These questions remain central to debates about redistribution and the role of government, the relevant to my concept of a politics of care.

Inference

The Robert Nozick Question highlights a fundamental tension in political economy between freedom of exchange and fairness of outcome. Nozick's theory provides a defence of individual rights and market processes, but it leaves open the question of whether those processes can produce just societies when starting conditions are unequal or are themselves based on past injustice.

The persistence of inequality suggests that the relationship between voluntary exchange and justice is more complex than Nozick's framework allows.

To answer his question is to decide whether justice can be defined solely by the legitimacy of transactions, or whether it must also consider the distribution of opportunities and outcomes that those transactions create.

26. The Gary Becker question

Gary Becker was one of the most influential and, in my opinion, dangerous economists of the twentieth century. Awarded the Nobel Prize in 1992, he extended the reach of economics far beyond markets and money. In his hands, economic reasoning became a universal language: marriage, education, crime, discrimination, even love were treated as problems of rational calculation.

Becker's claim was audacious. He argued that all human behaviour could be understood as the pursuit of utility under constraints. Criminals, parents, students, and lovers all acted like miniature firms, maximising benefit and minimising cost. What had once been the domain of sociology, ethics, and philosophy became, under Becker's pen, a branch of microeconomics.

This intellectual invasion created a new orthodoxy: the economic imperialism which still defines neoliberal thought. But it also created an emptiness at the heart of social life. **Hence, the Gary Question:** ***if every human action is reduced to market logic and self-interest, what remains of society, morality, or meaning?***

Economics as a total worldview

Becker's project was to universalise economics. He claimed that the same logic explaining why a firm hires workers could explain why a parent invests in a child's education.

Time became "human capital."

Love became a form of "investment."

Crime became an outcome of a "cost-benefit analysis."

By treating every decision as rational optimisation, Becker eliminated the distinction between economic and social behaviour. Everything became a market. Everyone became an entrepreneur of the self.

It was, in its way, a brilliant intellectual move, for which he won the Nobel Prize, but it was also a profoundly corrosive one.

The death of the social sphere

When all relationships are modelled as transactions, solidarity disappears:

- Friendship becomes networking.
- Marriage becomes a contract of mutual advantage.
- Education becomes a private investment, not a public good.
- Crime becomes a miscalculation, not a symptom of social breakdown.

Becker's logic turned every relationship into an economic equation. It severed the moral fibres that hold communities together. Where once we saw duty, loyalty, or care, Becker taught us to see incentives and costs. The consequence was the slow death of the social imagination.

The commodification of life

By making all values measurable in prices, Becker's framework legitimised the commodification of everything.

If education is a private investment, why should it be free?

If health is an individual benefit, why should it be universal?

If the environment is an externality, why not trade its destruction in carbon markets?

The expansion of economic reasoning becomes a justification for privatisation. What cannot be priced is dismissed as sentimental; what cannot be owned is neglected. Becker's legacy is a world where markets invade every sphere of life, from childcare to climate.

Rationality as ideology

Becker's defenders called him realistic: he recognised that people respond to incentives. But his vision of rationality was not descriptive; it was prescriptive. He assumed that people should act like calculators and then built policies around that fiction.

The result was what might be called the demoralisation of markets. Efficiency replaced empathy. Crime policy became about deterrence rather than justice. Welfare policy became about incentives, and not solidarity. Education became a competition, and not a right.

Under Becker's influence, social policy ceased to be about what was good and became about what was efficient.

The politics of individualisation

Becker's universe leaves no room for consequences, only choices. Poverty becomes a series of bad decisions, not a system of exploitation. Inequality becomes the product of skill differentials, and not power.

This individualisation is politically convenient. It absolves governments of responsibility and sanctifies markets as neutral arbiters. It tells the poor they are free to compete, free to fail, and free to blame themselves because they are supposedly solely responsible for who they are.

Becker's rational actor is not a model of humanity; it is the ideological mask of neoliberalism.

What Becker missed

Becker ignored everything that cannot be quantified: love, trust, belonging, community, culture, and history. He mistook what can be measured for what matters. By reducing humanity to cost-benefit analysis, he stripped life of moral texture.

People are not firms.

Societies are not markets.

Justice cannot be priced.

Solidarity cannot be incentivised.

The very attempt to do so is a moral catastrophe disguised as science.

What answering Becker requires

To answer the Becker Question, we must reclaim the moral and social spaces that economics colonised. That means:

1. Restoring the idea of the common good. Policy should begin from shared purpose, not private gain.

2. Re-embedding markets in society. Markets are tools, not metaphysics. They must serve human ends.

3. Redefining value which requires that we recognise that care, education, and ecological balance are forms of value that money cannot measure.

4. Reasserting ethics, which would bring moral reasoning back into economics as its foundation, not its afterthought.

Inference

The Becker Question forces us to confront what neoliberal economics has done to our moral imagination. By treating every human act as a transaction, it has hollowed out meaning itself. The market has become not just a mechanism, but a metaphor for life.

But a society that measures everything by price loses the capacity to value anything at all.

Becker's triumph was to make economics total; his failure was to make humanity partial.

To rebuild meaning, we must break the monopoly of market logic and remember that not everything that counts can be counted.

Economics must once again become a branch of moral philosophy, or it will continue to destroy the society it claims to explain.

We need, in other words, to forget that Becker ever happened, and all that he said.

27. The Greg Mankiw question

Greg Mankiw's 'Principles of Economics' is one of the most widely used textbooks in the world. It has trained millions of students, from first-year undergraduates to policymakers and journalists, in the worldview that defines modern economic orthodoxy.

Its central message is simple: markets work. Prices coordinate behaviour. Incentives shape outcomes. Government should intervene sparingly. Growth, not redistribution, is the path to prosperity.

To generations of students, this has sounded like common sense, and that is precisely the problem. Mankiw's economics presents itself as neutral, scientific, and apolitical, when in truth it is a moral vision of society disguised as arithmetic. It assumes that market outcomes reflect merit, that inequality reflects productivity, and that the economy can be understood without reference to power.

Hence, the Mankiw Question: *if economics teaches that people get what they deserve and markets reward merit, how do we explain the poverty, privilege, and inequality that surround us?*

The gospel of efficiency

At the core of Mankiw's framework lies the belief that markets allocate resources efficiently. If everyone acts in their own self-interest, the invisible hand will guide those actions toward socially optimal outcomes.

This is an elegant theory, but it rests on fantasy. It assumes perfect information, perfect competition, and perfectly rational agents, none of which exist. In the real world, corporations manipulate markets, information is asymmetric, and power determines price.

By starting with a model that excludes these realities, Mankiw teaches generations of students to treat power as noise, inequality as natural, and government as clumsy.

The moral claim hidden in the maths

Mankiw insists that economics is positive, not normative. He claims that it describes how the world is, not how it ought to be. Yet his entire framework is saturated with moral judgement.

He famously wrote that people "earn their income by making decisions that others value." This appears neutral, but it sanctifies market reward as moral desert. The billionaire deserves their fortune because the market says so. The low-paid worker deserves their wage because demand for their labour is low.

The market becomes both judge and jury of worth. Inequality is not a problem to be solved; it is evidence that the system is working.

The myth of meritocracy

Mankiw's textbook world is one where effort and talent determine outcomes. But in the real world, inequality reflects power, inheritance, and structure. The richest derive their wealth from assets and rent-seeking, not productivity. The poorest are trapped by conditions markets themselves create: low wages, housing costs, and debt.

To insist that these outcomes are fair is to deny the social conditions that produce them. It turns privilege into virtue and poverty into failure.

This moral inversion lies at the heart of neoliberal economics.

The invisibility of the state

Mankiw's economics treats the state as an external actor; a corrector of market "failures." But in reality, markets themselves are creatures of the state:

- Property rights are legal creations.
- Money is a public institution.
- Contracts are enforced by law.
- Infrastructure, education, and healthcare are prerequisites for production.

Without the state, there is no market. To teach otherwise is to erase the political foundations of the economy.

The politics of neutrality

What makes Mankiw's worldview so powerful is its tone of reasonableness. It does not shout ideology; it murmurs expertise. It trains students and policymakers to see inequality as the natural price of efficiency and to treat dissent as naïveté.

This technocratic economics has allowed governments to impose austerity, deregulation, and privatisation while claiming scientific legitimacy. It has produced a generation of politicians who talk about fairness while governing for finance.

The neutrality of this economics is the most corrosive ideology of all.

The real world intrudes

The financial crisis of 2008 exposed the bankruptcy of Mankiw's assumptions. Markets did not self-correct; they imploded. Incentives did not align with the public good; they rewarded fraud and speculation. Yet the mainstream quickly reasserted itself, as if the crisis were a minor deviation rather than a systemic failure.

The same blindness continues today. Climate breakdown, inequality, and rentier capitalism are treated as externalities rather than existential threats. The textbook remains essentially unchanged. Economics that cannot learn from collapse has ceased to be a science; it has become a catechism.

What answering Mankiw requires

To answer the Mankiw Question is to restore political economy to economics and to reintroduce power, history, and morality. That means:

1. Reclaiming fairness as purpose because efficiency without justice is not social welfare; it is exploitation.

2. Exposing market mythologies by recognising that markets depend on law, power, and inequality.

3. Rewriting the curriculum so that students are not taught that markets are perfect, but that they are political.

4. Democratising expertise so that economic decisions belong to citizens, not just technocrats.

Inference

The Mankiw Question exposes the hollowness of an economics that promotes ideology as science. By teaching that people get what they deserve, it absolves the powerful and blames the poor. It turns the economy into a morality play where virtue is equated with wealth.

But a just society cannot be built on the assumption that markets are fair. Markets are human constructions; they reflect the values we choose to embed in them.

Mankiw's invisible hand is not a law of nature. It is a political choice, and one that serves the few at the expense of the many.

If economics is to serve humanity rather than excuse its injustices, it must unlearn Mankiw's lesson and begin again: not as the science of self-interest, but as the ethics of shared prosperity.

Chapter 6 — Money, finance and instability

Introduction

If there is one thing that the crises of recent decades should have settled beyond dispute, it is that mainstream economics does not understand money. The failure is comprehensive. It does not know what it is, where it comes from, how it circulates, or what happens when the financial system built around it becomes dangerously unstable. The 2008 crash was not, as some claimed, an unforeseeable black swan. It was foreseen, repeatedly and in detail, by thinkers the mainstream had chosen not to take seriously. The question is not whether the warnings were there. It is why they were ignored.

Hyman Minsky's financial instability hypothesis, which embraces the argument that stability itself breeds instability, and that the longer a boom continues the more fragile it becomes, is the most accurate account of financial behaviour yet offered. His vindication in 2008 was comprehensive. The fact that the system was subsequently rebuilt in the same form, without structural reform, suggests that accuracy was not what policymakers were primarily interested in.

Eugene Fama's efficient market hypothesis provided the theoretical justification for the deregulation that made the crash possible, by insisting that prices always incorporate all available information and that financial markets therefore cannot be systematically wrong. It has been refuted by events on a scale that should have been terminal for the theory. It persists because it remains useful to those whose interests it protects.

Mark Carney's diagnosis of the social costs of automation, and his observation that standard economic accounting registers the efficiency gains while rendering the human costs invisible, points to a structural blind spot that has political as well as analytical consequences. The communities written off as having been "left behind" did not leave themselves.

Steve Keen has done the work of demonstrating, in systematic terms, that mainstream economic models ignore the physical reality of the economy, whether they be energy, materials, or thermodynamics, and that this omission is not a minor simplification but a fundamental error. Models that pretend the economy floats above the physical world will, inevitably, produce dangerously wrong conclusions about growth, sustainability, and the economic consequences of ecological breakdown.

Stephanie Kelton's account of how sovereign money actually works, and why the fiscal constraints that governments claim to face are largely self-imposed rather than technically binding, represents one of the most important clarifications in recent political economy. If it were properly understood, the political case for austerity would collapse. Which is, of course, one reason it is resisted so fiercely.

28. Economic questions: the Hyman Minsky question

Hyman Minsky was one of the most prophetic economists of the twentieth century. For decades, he laboured in obscurity, ignored by the mainstream because he violated its most comforting assumption: that markets tend naturally toward equilibrium. Minsky insisted the opposite —that capitalism is a system hard-wired for instability —and that the financial sector is its most dangerous engine, as I believe it is once again.

In his now-famous 'Financial Instability Hypothesis,' Minsky argued that periods of calm are precisely when risk builds up. When the memory of crisis fades, lenders, investors, and policymakers all grow complacent. They take on more debt, extend more credit, and inflate asset prices until the system collapses under its own weight.

Crashes are not caused by shocks from outside. They are generated from within. Stability itself is destabilising.

That insight leads directly to **The Minsky Question:** ***if stability in finance breeds the very instability that destroys it, why do we keep designing systems that pretend risk can be eliminated rather than managed?***

From hedge to speculative to Ponzi

Minsky's model of financial evolution was brutally simple. After every crisis, he argued that regulators tighten controls and firms act cautiously. Over time, confidence returns, memories fade, and financial behaviour shifts through three stages:

1. The hedge finance stage, when borrowers can meet both interest and principal repayments from income.

2. The speculative finance stage, when borrowers can meet interest, but must roll over principal.

3. The Ponzi finance stage, when borrowers rely on rising asset prices to refinance both.

Eventually, the system is dominated by speculative and Ponzi finance and debt sustained by optimism rather than income. When prices stop rising (as they always do), defaults cascade, and the whole structure collapses.

Stability breeds complacency

Minsky suggested that every long boom contains the seeds of its own destruction. Periods of apparent stability convince both lenders and regulators that the system is safe. Leverage rises. Lending standards weaken. Innovations, whether they be junk bonds or derivatives and now crypto, promise new ways to make old risks disappear, but they don't in reality.

Minsky saw this clearly in the 1960s and 1970s, when deregulation and financial innovation were taking root. The longer the boom, the greater the eventual bust. The pattern has repeated ever since.

The crisis of 2008 — Minsky vindicated

When the global financial crisis erupted in 2008, Minsky's analysis was suddenly in the news. Mortgage lenders had built an edifice of speculative and Ponzi finance, sustained only by rising house prices and faith in perpetual appreciation.

When prices fell, the system imploded. Central banks bailed it out, but Minsky had warned that without structural reform, crises would recur. A financial system built on leverage and speculation will always return to instability precisely because its stability depends on forgetting.

The blindness of orthodoxy

Mainstream economics ignored Minsky because his world was messy. He rejected the idea of rational expectations and equilibrium. He saw finance as dynamic, behavioural, and emotional, shaped by euphoria and fear. That did not fit the mathematical models of the neoliberal academy.

Worse, Minsky's insight threatened the ideology of self-regulating markets. If markets generate their own crises, they cannot be trusted to police themselves. State intervention becomes essential. For economists and politicians wedded to neoliberalism, that was heresy.

The moral hazard myth

Each crisis, Minsky warned, would provoke demands for rescue, and each rescue, unless accompanied by reform, would sow the seeds of the next crisis. Central banks have become perpetual fire-fighters. They save the system, but in doing so, they validate reckless behaviour.

This is the Minsky Paradox in policy form: saving the system each time makes the system more fragile next time. We socialise losses but privatise gains. The moral hazard belongs not to the poor but to the powerful.

The political economy of instability

For Minsky, finance was not merely a technical sector. It was the beating heart of capitalism. Credit creation determines who invests, who works, and who prospers. When finance is geared toward speculation rather than production, the economy becomes a casino.

The political consequences are enormous. Speculative booms inflate asset prices, enriching the wealthy. Crashes wipe out the savings of the poor. Austerity follows to "restore confidence," deepening inequality. Financial instability is not just economic turbulence; it is a mechanism of class power.

What a Minskyan system would require

To answer the Minsky Question, we must abandon the illusion of perfect control and accept that instability is endemic — but manageable with the right institutions. That means:

1. Active fiscal policy. Use government spending to stabilise employment and demand when private finance falters.

2. Public control of credit. Guide lending toward productive, sustainable uses — green infrastructure, care, housing — not speculation.

3. Counter-cyclical regulation. Tighten credit in booms, loosen in busts.

4. Financial buffers. Require banks and shadow banks to hold capital sufficient to absorb losses without socialising them.

5. Redistribution. Prevent asset bubbles by taxing windfall gains and wealth.

Above all, it means understanding that stability is a public good, not a private commodity.

Inference

The Minsky Question is as much moral as it is technical. If stability breeds instability, then our task is not to eliminate risk but to build systems resilient to it. That means rejecting the fantasy of self-regulating markets and confronting the interests that profit from fragility.

Every generation rediscovers Minsky the hard way, after the crash. Yet each time, we rebuild the same fragile edifice. We promise prudence, deregulate, inflate, and collapse again.

Minsky's warning remains unheeded: the crisis can, he said, happen again, and it will, until we design economies that serve society, not speculation. It is a warning most especially pertinent at this moment.

The real instability, Minsky argued, lies not in markets themselves, but in our refusal to learn. Will we ever do so?

29. The Eugene Fama question

Nobel Laureate Eugene Fama's so-called Efficient Market Hypothesis (EMH) is one of the most influential ideas in modern finance. It claims that markets instantly incorporate all available information and therefore price assets correctly at all times. According to Fama, there are no mispricings to exploit, no bubbles to inflate, no systemic distortions that experts can foresee. Markets, in this view, are not just efficient; they are omniscient.

The elegance of the theory gave it enormous power. It justified deregulation. It encouraged the rise of passive investment. It offered intellectual armour to those who believed markets should be left alone, and it helped entrench the worldview that finance requires liberation, not scrutiny.

But EMH has been tested repeatedly — and reality has failed to conform. The 2008 crash should have buried it. Instead, it continues to define the architecture of global finance.

Hence, the Eugene Fama Question: *If the theory that financial markets are perfectly rational collapses every time reality intrudes, why do we still allow it to shape the policies, products and institutions that govern our economic lives?*

The seduction of perfect rationality

Fama's EMH offered economists something they crave: a world governed by clean mathematics and predictable behaviour. It substituted the chaos of real markets with the reassuring fiction that prices always reflect true value.

This model treats risk as calculable, diversification as infallible, and systemic stability as a natural property of unfettered markets. It replaced judgement with formulas. It replaced uncertainty with probability. It replaced responsibility with the assumption that markets could not be wrong.

This intellectual seduction continues to protect EMH long after its credibility has gone, at a cost to us all.

A theory refuted by the world it claims to explain

The history of financial markets is a record of everything EMH says should not happen:

- Bubbles
- Panics
- Herd behaviour
- Irrational exuberance
- Crashes triggered by rumour and fear
- Markets that inflate asset prices far beyond any plausible value.

The dot-com bubble, the housing bubble, the 2008 meltdown, crypto hysteria, the recurring booms and busts in commodities and equities; all of these events make the same point, which is that markets do not instantly process information. Instead, they amplify errors, they overshoot, and they reflect power, psychology, manipulation and momentum as much as fundamentals.

If a theory holds only in the absence of reality, it is not a theory of the world. It is a theory of convenience.

EMH as the intellectual foundation of deregulation

Fama's theory became the perfect justification for dismantling controls on finance. If markets are assumed to be rational, then regulation is seen as a distortion to be eliminated. If prices encode all information, then fraud is self-correcting. If bubbles do not exist, oversight is unnecessary.

From the 1980s onward, EMH provided the academic muscle behind:

- The repeal of the Glass–Steagall Act
- The growth of shadow banking
- The expansion of derivatives markets
- The ideology of "self-regulating markets"

- And the belief that financial innovation always improves welfare.

It was the intellectual scaffolding of neoliberal finance. And it turned out to be disastrously wrong.

The 2008 crisis: a catastrophic failure of the model

The global financial crisis exposed EMH as a fantasy. Markets had not priced risk correctly. They had not incorporated obvious information. They had not recognised systemic interconnection. They had not protected investors or the public.

Instead, markets had created instruments they did not understand, mispriced the mortgages on which they were built, blindfolded themselves to the fragility of the system, and pulled the global economy into collapse. Yet Fama himself insisted that the crisis was not evidence against EMH, saying instead merely that "shocks" cannot be predicted.

When a theory explains away its own failure by redefining failure as an anomaly, it is no longer science. It is ideology.

The persistence of a failed idea

Despite repeated falsification, EMH remains embedded in:

- Financial regulation
- Pension-fund orthodoxy
- Passive-fund investment design
- Central bank assumptions
- Macroeconomic modelling by the Treasury
- Portfolio theory, which drives institutional investment choice
- The teaching of economics and finance.

Why? Because the idea is useful, not descriptively, but politically.

It absolves regulators of responsibility.

It shields financiers from scrutiny.

It legitimises vast concentrations of wealth.

It sanctifies inequality as the product of merit rather than structural power.

A theory does not have to be true to endure.

It only has to serve those who benefit from its illusions.

What answering the Eugene Fama Question would require

To take the failures of EMH seriously and to rebuild financial systems that serve society rather than destabilise it would require:

- Recognising markets as social institutions, rather than as natural phenomena, and that they are shaped by law, power, incentives, information asymmetry and manipulation.
- Embedding regulation in the reality of human behaviour, including uncertainty, panic, herd dynamics, fraud and short-termism.
- Reasserting public oversight because the claim that markets self-correct has been disproven at catastrophic cost.
- Redesigning investment systems to prioritise long-term social value, not speculative churn.
- Replacing the mythology of perfect information with the truth of radical uncertainty.
- Building financial architecture around resilience, and not supposed efficiency, building in redundancy, buffers, and limits on leverage.

These reforms would not stifle markets. They would, however, make markets safe for everyone else, and not just for those who profit from their volatility.

Inference

The Eugene Fama Question asks why a theory that has failed so dramatically continues to frame policy so profoundly. EMH is not merely wrong; it is dangerous. It blinds societies to risk, legitimises instability, and encourages the concentration of power in institutions that repeatedly prove unable to manage their own behaviour.

To answer the question is to recognise that elegant models can be seductive precisely because they are false and that political economy must be rooted in the world as it is, not in the world financiers would prefer to imagine.

Fama taught us, unintentionally, that markets do not know best. Our task now is to build an economic and financial system that remembers it.

30. The Mark Carney Question

Mark Carney, the former Governor of the Bank of England who is now the Prime Minister of Canada, is someone with whom I had differences over his stewardship of the Bank of England. But he is also remembered for a sharper, more political intervention.

In 2016, he argued that whole communities were being "left behind" by globalisation, automation, and the relentless pursuit of efficiency. The system's accounting, he suggested, was faulty: the books balanced for capital, but the social costs were invisible.

This underpins what I am calling the **Mark Carney Question**: ***when technological change and automation eliminate jobs, producing efficiency gains and higher profits, how do we account for the hidden social losses — and why are they absent from our measures of economic success?***

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1. The promise and peril of automation

Automation and AI are heralded as the engines of the future. The promise appears obvious to the proponents of such moves: the goal is more output with less labour, cheaper goods, and (maybe) more leisure. In theory, entire societies should benefit from this.

But the peril is equally clear:

- Jobs might well vanish, especially routine and middle-skill ones, and there is no guarantee that alternatives will be created.
- Incomes of displaced workers will shrink.
- Local communities that are impacted will lose spending power.
- The dignity and identity that come with employment will be eroded.

- Claims on the government will increase as the income divide increases.
- Social stress will grow.
- Extremism will be encouraged.

Firms will book the savings that they have made as profit. The economy will record it as a benefit of higher productivity. GDP will increase. But, for those who will have lost their livelihoods, the gain will be illusory. The official accounts may show a surplus; however, the lived experience will likely be a deficit.

2. GDP's blind spot

GDP, the sacred measure of modern economics and neoliberal politicians, is profoundly ill-suited to capturing these dynamics. It counts output. It does not ask who gains and who loses. If one factory automates and sacks 10,000 workers, GDP records the cost savings as increased efficiency. The social consequences are invisible.

Nor does GDP measure the indirect effects:

- The lost taxes from unemployed workers.
- The increased welfare costs of supporting them.
- The decline in local demand as spending collapses.
- The knock-on health impacts of unemployment and insecurity.

In aggregate, society may be poorer, even as GDP suggests it is richer. This is the illusion Carney pointed to: a set of accounts that flatter capital while erasing labour's losses.

3. The distributional distortion

The Carney Question is, at root, about distribution. Automation creates winners and losers. The winners are owners of capital — shareholders, executives, asset managers. They pocket the savings. The losers are workers, families, and towns that depended on those jobs.

In a well-governed system, redistribution would correct the imbalance. Tax the winners, support the losers, reinvest in new opportunities. But under neoliberal rules, redistribution is treated as distortion. The result:

- Profits surge, labour's share falls.
- Inequality widens.
- Regional divides deepen.
- Social resentment grows.

It is no accident that populist politics thrives in the very places hollowed out by automation and globalisation. Economic exclusion breeds political revolt.

4. The accounting illusion of capitalism

Company accounts record the efficiency gains of automation as reduced labour costs. National accounts record the same as higher productivity. Neither records the social costs of job loss.

This is not a neutral omission. It is a structural bias. By design, our accounting frameworks prioritise capital and ignore society. The balance sheet of a company is closed once profits are distributed. The balance sheet of a nation is closed once GDP is tallied. But the balance sheet of a community — of lost dignity, rising insecurity, mental ill-health, fractured families — is nowhere recorded.

The Carney Question demands that we expose this illusion. Efficiency is not efficiency if the hidden costs exceed the visible gains.

5. From climate to labour: stranded assets and stranded workers

Carney's most famous intervention before becoming Canadian Prime Minister was his warning of a "tragedy of the horizon" on climate change: markets discount long-term risks, treating them as irrelevant until it is too late. Fossil-fuel investments risk becoming "stranded assets."

But there is a parallel. Automation creates *stranded workers* — whole cohorts rendered obsolete without pathways to re-employment. Just as markets fail to price climate risk, they fail to price social risk. The accounts remain rosy until collapse occurs.

We would not accept an oil company ignoring its decommissioning costs. Why do we accept a tech firm ignoring the social costs of mass redundancy?

6. The politics of invisibility

Why does this blindness persist? Because invisibility serves power. To capital, it is convenient that GDP registers gains while masking losses. To governments, it is easier to boast of efficiency than to confront the human toll.

This invisibility entrenches a cruel dynamic:

- Workers are told they must "retrain," even when no equivalent jobs exist.
- Communities are blamed for being "left behind," as if decline were their fault.
- Welfare systems are stigmatised, not strengthened, to deal with dislocation.

The result is a politics of blame directed downwards, rather than accountability directed upwards.

7. What would honest accounting look like?

The Carney Question implies a radical task: we need forms of accounting that capture social reality. That could mean:

1. Social impact accounting. This would require firms to disclose not only financial savings from automation, but also job losses, regional impacts, and retraining commitments.
2. Broader national metrics. Replace GDP with indicators of well-being, distribution, and resilience. If unemployment rises and communities decline, it should be visible as economic damage, not hidden behind aggregate growth.
3. Redistributive policy. Tax automation gains through windfall levies or higher corporation taxes, earmarking revenue for universal services, job guarantees, and local investment.

4. Public investment in transition. Just as climate change requires state-led green investment, automation requires state-led social investment — in education, care, and green jobs.

Inference

The Mark Carney Question cuts to the heart of twenty-first-century capitalism. Are we content to let our national accounts flatter supposed efficiency while concealing exclusion? Or will we demand an economy whose books are honest, registering not just profits but the impact of activity on people?

Automation is not destiny. It can liberate or it can impoverish. But left to current accounting, it will do the latter, enriching the few while stranding the many. The challenge is to rewrite our economic scorecard so that the costs borne by workers and communities are counted as real.

Carney's warning remains urgent, and also unanswered: a system that ignores the social losses it creates is not efficient, but brittle. And brittleness, in economics as in politics, eventually breaks. That is the risk we face whilst this question remains unaddressed.

31. The Steve Keen question

Steve Keen is known for his modelling of private debt and financial instability, but behind that lies a deeper critique of modern economics — one that calls into question the discipline's very foundations. He argues that the models used to guide governments, central banks, and global institutions systematically ignore the physical reality of production. They pretend that output emerges from "capital" and "labour" alone, as if machines power themselves, as if energy is incidental, and as if ecological limits are optional.

Keen's work, therefore, asks a question that undermines an entire intellectual edifice: if economics describes the real world, why does it ignore the real world's physical laws? And if it ignores those laws, how can it claim to offer guidance on growth, sustainability, or the future of civilisation itself?

Hence, the Steve Keen Question: ***If the economy is a physical system dependent on energy and material throughput, why does mainstream economics still pretend it can be understood without reference to the laws of nature?***

The myth of the ethereal economy

Keen's starting point is the recognition that mainstream production functions — the centrepiece of economic modelling — are mathematical fantasies. They imply that output is a smooth function of two abstract inputs: "labour" and "capital." Energy does not appear. Materials do not appear. Technology is a magic multiplier. Growth emerges from algebra, not from physical processes.

Keen argues that this is not simplification — it is denial. Real economies are not conceptual arrangements of inputs; they are thermodynamic systems. They transform energy and matter, generate waste, incur entropy, and depend on ecological stability. To treat them otherwise is to build policy on make-believe.

Ignoring energy leads to impossible conclusions

Because mainstream models omit energy, they produce absurd implications. They imply, for example, that output can rise indefinitely even without increased energy use. They suggest that capital can substitute for natural resources without limit. They assume that technological efficiency can outpace physical constraints forever.

Keen notes that such assumptions violate basic thermodynamics. Machines cannot do work without energy. Production cannot occur without materials. Waste cannot disappear because calculus demands it. The result is a discipline whose formal models guarantee that ecological crises cannot happen — not because they are impossible, but because the equations refuse to acknowledge them.

Economic growth as energy conversion

Keen's analysis reinforces a truth known to physicists but strangely excluded from economics: growth is not primarily a financial phenomenon; it is an energetic one. Historically, economic expansion has always been tied to increased energy capture — from wood to coal, from coal to oil, and from oil to gas. Productivity gains arise not from cleverness alone but from leveraging greater flows of usable energy through machinery, transport, agriculture, and industry.

By reconnecting economics to physical reality, Keen shows that growth is contingent, not automatic; constrained, not infinite; and dependent on ecological stability, not guaranteed by market forces.

Debt, energy and the illusion of perpetual motion

In Keen's biophysical models, debt-fuelled expansion does not merely create financial fragility — it obscures the energetic basis of growth. Cheap credit can simulate prosperity for a time, but it cannot conjure energy or materials. When ecological constraints tighten — water shortages, degraded soils, declining fossil fuel EROEI (Energy Returned on Energy Invested) — debt becomes a way of borrowing from a future that cannot deliver.

This is why Keen insists that an economy that ignores energy limits will eventually crash through them, financially as well as ecologically. A society cannot paper over biophysical scarcity with bank liabilities.

Climate change as a macroeconomic blind spot

Keen has been one of the fiercest critics of the climate-economy models used by central banks and governments. These "integrated assessment models" treat 4°C or even 6°C of global warming as causing modest economic losses — as if the collapse of food systems, the inundation of cities, and the breakdown of ecosystems could be offset by gains in tourism or manufacturing.

Keen calls this what it is: pseudo-science disguised as economics. When models assume away the catastrophic, they encourage complacency in the face of civilisational risk. Once again, the problem is the same: models that refuse to acknowledge physical reality cannot produce rational policy.

What answering the Steve Keen Question would require

To take Keen seriously would demand a transformation of economic thinking — not a tweak. At a minimum, it would require:

- Rebuilding economic models from physical principles, integrating energy, materials, waste, ecology, and thermodynamics as foundational, and not optional.

- Abandoning the fantasy of infinite substitutability, recognising that some resources are irreplaceable and that technology cannot bypass physical limits.

- Re-evaluating growth, shifting from an obsession with GDP to an understanding of sustainable throughput and genuine well-being.

- Pricing and regulating ecological limits, not as externalities but as binding constraints on the economy's operating envelope.

- Integrating climate risk honestly, treating high-temperature futures as catastrophic, not trivial disturbances.

These changes would overturn much of what passes for "rigorous economics" today.

Inference

The Steve Keen Question exposes a profound contradiction at the heart of contemporary economic governance. Our societies are built on models that ignore the physical basis of production, deny the reality of energy constraints, and treat ecological breakdown as a rounding error. Keen's work shows that this is not merely mistaken — it is lethal.

To answer his question is to accept that economics must rejoin the natural sciences, abandon its equilibrium fantasies, and confront the biophysical limits that shape the future of humanity. The alternative is clear: an economics that ignores nature will eventually be corrected by nature, violently if necessary.

Keen's warning, in this version, is unforgiving and straightforward: an economy is a physical system, not an algebraic dream and systems that defy the laws of nature eventually collapse.

32. The Stephanie Kelton question

Stephanie Kelton has done something very rare in modern economic debate: she has taken a basic accounting fact, that sovereign governments create the currency they spend, and shown how its denial has warped our politics, our public services, and our imagination. In *The Deficit Myth*, she does not offer ideology but clarity: governments that issue their own currency are not like households; public deficits are someone else's income; and the true limits to public spending are not financial, but real.

Kelton's argument is as simple as it is destabilising. If the government cannot "run out of money," then the entire narrative of scarcity that has justified austerity, privatisation, wage suppression, and the abandonment of public purpose begins to collapse. The question she poses is therefore profound, not technical.

Hence, the Stephanie Kelton Question: *If a monetarily sovereign government can always afford to mobilise the resources it actually has, why do we continue to run societies around the fiction that public spending is financially constrained?*

The household analogy that never belonged

Kelton begins by dismantling the most powerful and misleading story in modern political economy: that of the household analogy. Governments, we are told, must "live within their means," "tighten belts," and "balance the books", just like families must do. It is a comforting metaphor, but entirely false. Households use the currency; governments issue it. Households must earn before they spend; governments spend before anyone can earn.

This misunderstanding is not accidental. It has been cultivated because it limits public ambition. If the state is imagined as a large household, it must behave timidly. It must fear deficits. It must view public investment as a threat. Kelton's point is that this metaphor has done immense political harm, shrinking our sense of what collective action can achieve.

Money creation as a public instrument

Kelton's core insight is not that governments *should* spend without limit, but that they *can*. The true limit to spending is the availability of real resources — skilled labour, energy, technology, materials — not the availability of money. Currency-issuing governments create money as a matter of routine when they spend. They delete, or cancel, money when they tax.

Money, in this framework, is a tool for mobilising productive capacity, not a scarce commodity. Once we understand this, the supposed trade-off between public purpose and public finance evaporates. The question becomes: what do we want to achieve, and do we have the resources to do it?

If the answer is yes, financing is never the barrier.

The politics of fear and the manufacture of scarcity

Kelton shows that the deficit narrative is not neutral. It is ideological. By insisting that "we can't afford" healthcare, housing, green investment, social care, education, or infrastructure, governments transfer responsibility away from political choice and onto imaginary financial constraints. Austerity becomes a necessity rather than a preference. Poverty becomes a natural condition rather than a policy outcome.

In this sense, deficits are not economic tools but political weapons — used to discipline governments, suppress wages, and justify the erosion of public goods. Kelton exposes this as a political project masquerading as prudence.

Inflation, not insolvency, is the real constraint

Critics accuse Kelton of ignoring inflation. She does nothing of the kind. Her point is that inflation — the only meaningful limit to public spending — must be managed by understanding *real* constraints, not by restricting public investment through arbitrary accounting rules. The dangers of inflation arise when governments spend beyond the economy's productive capacity, not when they spend "too much money" in the abstract.

For Kelton, inflation management requires planning, resource mapping, anti-monopoly measures, and coordinated fiscal-monetary strategy — not blanket austerity. She reframes the issue: inflation is a signal of resource strain, not a reason to fear public purpose.

Deficits as records of public contribution

Kelton restores an older understanding: public deficits are not signs of irresponsibility but records of private saving. When governments run deficits, they inject financial assets into the private sector. Public balance sheets and private balance sheets move together. The obsession with "reducing the debt" does, therefore, mean reducing private wealth.

Kelton insists that the moral significance of deficits depends entirely on what the spending achieves. A deficit that builds green infrastructure, improves care, houses people, or expands education is not a burden but a legacy.

The deflated imagination of modern politics

Kelton's argument highlights something deeper than accounting: how profoundly we have shrunk our sense of political possibility. When governments claim they "cannot afford" basic public goods, the public begins to accept deprivation as natural. The collapse of social housing, the decay of healthcare, the underfunding of education, and the abandonment of climate goals — all are rationalised by a narrative that pretends money is scarce.

Kelton asks us instead to face the real question: if we have the people, the skills, the technology and the materials to meet human need, what does it say about us that we choose not to?

Her work is not technocratic. It is moral.

What answering the Stephanie Kelton Question would require

To accept Stephanie Kelton's insights would mean dismantling some of the deepest fictions in modern political economy. That would require:

- Reframing public finance, recognising that government spending is constrained by real resources, not by revenue.

- Planning for inflation through real-capacity management, not through voluntary impoverishment.

- Ending austerity politics, acknowledging that austerity damages capabilities, undermines growth, and is never a financial necessity.

- Designing public investment around public purpose, whether that be housing, care, climate, education, health, all guided by need, and not by spreadsheets.

- Democratising economic imagination, making clear that fiscal choices are political decisions, not inevitable sacrifices.

These changes transform economic debate from bookkeeping to statecraft.

Inference

The Stephanie Kelton Question asks us to confront the fiction at the heart of contemporary politics: that money is scarce but human need is limitless. Stephanie Kelton reverses this. Human need is real; money is not. Money is a tool we create to organise resources. When governments claim its scarcity, they are not confessing helplessness; they are abandoning responsibility.

Kelton's work exposes this abandonment and insists that a society rich in capacity has no excuse for failing to meet basic human needs. The task she sets is not simply to understand public finance more clearly, but to reclaim public purpose more boldly.

If a sovereign government can always afford to mobilise what it truly has, then the real deficit we face is not financial but moral: we face a deficit of ambition, courage, and care.

Chapter 7 — Inequality, power and globalisation

Introduction

The consequences of the neoliberal turn are now visible to anyone who chooses to look:

- wealth concentrated at a pace not seen since the nineteenth century,
- democratic institutions hollowed out by the systematic capture of politics by money,
- a global financial architecture designed to allow capital to move freely whilst labour cannot, and
- an elaborate offshore world that enables the wealthiest to enjoy the benefits of the societies that sustain them whilst opting out of the obligations that sustain those societies in return.

Thomas Piketty's empirical demonstration that capitalism naturally concentrates wealth when the rate of return on capital systematically exceeds economic growth, and that only deliberate political intervention has ever interrupted that dynamic, should have reshaped the entire terms of economic debate. The fact that it has not tells us more about the political economy of the discipline than about the strength of his argument.

Mariana Mazzucato's challenge to the mythology of private enterprise as the sole engine of innovation and value is important and well-evidenced. But her work raises a question she does not always fully confront, which is whether the state's demonstrated centrality to value creation is being used to reform capitalism or merely to stabilise it, and whether missions defined within existing ownership structures can ever produce the structural transformation that the scale of our problems demands.

Nancy MacLean's forensic account of the political project behind public choice theory, which is the deliberate construction of constitutional and institutional mechanisms designed to insulate wealth from democratic challenge, is the most important political history of economic ideas written in recent decades. It explains how so much of what presents itself as sound governance is, in fact, organised class defence.

Naomi Klein's analysis of disaster capitalism, or of how the shock of crisis is systematically exploited to implement policies that could not survive normal democratic scrutiny, identifies a pattern that repeats across contexts with a regularity that cannot be explained by coincidence.

David Graeber's anthropological account of money and debt restores the social and moral dimensions that economics has stripped out. Debt, he showed, is not a neutral financial instrument but a relationship of power, and the moralisation of debt obligation, which condemns the poor for what the powerful do at incomparably greater scale and without censure, is one of capitalism's most revealing hypocrisies.

John Christensen mapped the offshore world that global capital has constructed, not as a collection of exotic anomalies but as a coherent system with a single purpose which was to allow wealth to exist beyond the reach of democratic accountability. It is the operating system of modern inequality, and confronting it is inseparable from any serious politics of tax justice.

Joe Stiglitz's work on information asymmetry demolished one of the central theoretical justifications for market fundamentalism, which was the assumption that markets, left to themselves, tend toward efficient and fair outcomes. His public engagement with inequality and the failures of globalisation has made him one of the most consequential economic voices of his generation, even where his prescriptions have fallen short of his diagnosis.

Guy Standing's identification of the precariat, which is the growing class defined not by poverty alone but by chronic insecurity, the erosion of rights, and the loss of the occupational identity that once gave work its social meaning, names a reality that neoliberal economics produced and that neoliberal politics would prefer not to acknowledge.

33. The Thomas Piketty question

Thomas Piketty's *Capital in the Twenty-First Century* (2013) was a bomb dropped into the polite world of economics. It did not rely on theory. It relied on data — two centuries of it, painstakingly compiled from tax records, national accounts, and inheritance registers. What Piketty showed was that inequality is not an accident of policy or a passing phase of development. It is a structural feature of capitalism itself.

His central equation, that $r > g$, captured that truth in a simple inequality. His argument is that when the rate of return on capital (r) exceeds the rate of economic growth (g), wealth accumulates faster than incomes rise. Those who already own assets grow richer, while those who rely on wages fall behind. Over time, inequality does, then, become self-perpetuating.
This was not a Marxist argument about exploitation. It was a statistical description of what capitalism does when left to its own devices. Piketty's conclusion was unambiguous: without deliberate political intervention through progressive taxation, redistribution, and public investment, inequality will spiral until it undermines democracy itself.

Hence the Piketty Question: ***if we now know that capitalism naturally produces inequality faster than growth can correct it, why do we still design policies that entrench it?***

The empirical revolution

Before Piketty, inequality was treated as a moral or political question, not an empirical one. Economists assured us that as countries grew richer, inequality would first rise and then fall, as the Kuznets curve suggested. Piketty demolished that myth.

His historical data showed that the post-war reduction in inequality was exceptional, not normal. It had occurred only under the extraordinary conditions of World War II, the reconstruction that followed, an era of high inflation, and deliberate redistribution policies. As he showed, since the 1980s, as those policies have been reversed, inequality has returned to nineteenth-century levels.

The lesson is clear: left to its own devices, capitalism does not deliver equality. It delivers concentration.

The politics of the return

Piketty's suggestion is that capital begets capital, wealth generates income, and income buys influence. Those with wealth accumulate not only assets but also power over politics, the media, and public discourse.

His research showed that wealth concentration is not just an economic process but a political one. The wealthy use their power to reduce taxes, weaken regulation, suppress unions, and shape ideology. They fund think tanks and media outlets that promote the very policies that entrench their dominance.

In other words, inequality is not only the outcome of markets; it is the design of politics.

The myth of merit

One of Piketty's most devastating insights was to show how inequality hides behind moral language. Today's elite like to claim that their wealth reflects talent and hard work. But the data say otherwise. Inherited wealth is once again the dominant factor determining life chances. “Meritocracy” has become a self-serving fiction, masking the return of patrimonial capitalism.

When wealth reproduces itself through inheritance rather than innovation, societies ossify. Social mobility collapses. Democracy becomes plutocracy.

The international dimension

Piketty's work also reveals the global dimension of inequality. The same forces that concentrate wealth within nations also concentrate it between them. Capital now flows freely across borders, while labour is constrained. The result is a global system in which wealth accumulates in the financial centres of the rich world — and in the secrecy jurisdictions that serve them — while the developing world is drained of resources and talent.

This is not merely the outcome of market forces. It is the architecture of global capitalism — designed, maintained, and defended by those who benefit most from it.

Why policy fails

If Piketty has made the mechanics of inequality so visible, why do governments not act? The answer lies in capture. Politics is increasingly financed by the wealthy. Parties compete for donors, not for voters. The revolving door between finance and government ensures that reform never threatens the system's foundations.

Even centre-left governments, fearful of market reaction, have accepted the limits set by capital. The result is a politics that talks of fairness while quietly perpetuating inequality.

Piketty's unfinished agenda

Piketty's own solutions were moderate but radical in implication. They include:

- Progressive taxation of income, wealth, and inheritance, including on a global scale.
- Public registers of ownership to expose hidden wealth and tax evasion.
- Democratic control of capital through co-determination and public investment.

These are not utopian ideas. They are the minimum conditions for democracy to coexist with capitalism. Yet even these proposals are resisted, because they confront the core truth of Piketty's finding: inequality is not a flaw to be fixed, it is the system working as designed.

What answering Piketty requires

Answering the Piketty Question means more than tweaking tax rates. It means acknowledging that inequality is not accidental but structural and therefore requires structural counter-power. That means:

1. Delivering tax justice by creating enhanced global coordination to achieve better taxation of wealth and income and gains derived from it, the closure of

secrecy jurisdictions, and an end to the race to the bottom in the taxation of capital.

2. Assisting public investment by using greater fiscal capacity to help build collective wealth in housing, education, health, and green infrastructure.

3. Increasing the democratic and accountable ownership of wealth by expanding cooperative, municipal, and public forms of enterprise to both share and reinvest the returns to capital.

4. Creating political reform to break the link between money and politics so that democracy can act on the evidence Piketty has laid bare.

Inference

The Piketty Question confronts us with an uncomfortable truth. Capitalism is not drifting toward inequality by accident; it is propelled there by its own dynamics. Unless we intervene, the concentration of wealth will continue until democracy becomes a façade (if that has not already happened in some places).

Piketty's data gave empirical shape to what earlier critics like Marx and Galbraith understood intuitively: that unchecked accumulation is incompatible with a just or sustainable society. The question is no longer whether inequality will rise. It will. The question is whether democracy has the courage to stop it.

If we know that capitalism concentrates wealth faster than growth can distribute it, the only real ignorance left is political.

34. The Mariana Mazzucato question

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.

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 Mariana Mazzucato in this series? That is because she has built a critique of the myth that markets alone create value. Her work has been influential precisely because it exposes something mainstream economics prefers to ignore: that the state has been deeply involved in shaping innovation, underwriting risk, and creating the conditions in which private enterprise operates.

In books such as The Entrepreneurial State and Mission Economy, she argues that governments should reclaim a more active role, not just correcting market failures, but directing economic activity toward public goals. Her language is optimistic: her argument is that the state can be entrepreneurial, purposeful, and mission-driven.

There is, however, a deeper question beneath this optimism. If the state has always been necessary to make capitalism work, and if the system continues to generate inequality, instability and ecological crisis, then perhaps the problem is not simply that the state has been too weak or passive. Perhaps the problem is the system itself.

*Hence, the **Mariana Mazzucato Question: If the state has always been central to creating markets and value, why is it now being asked to rescue a system whose underlying dynamics, such as inequality, extraction and ecological damage, it may not be able to fix?***

The state as creator — and enabler

Mazzucato is right to insist that the state has been central to innovation. Public funding, infrastructure, research and risk-taking have underpinned many of the technologies that define modern life.

But this raises an uncomfortable implication. If the state has always been present, then it has not only enabled innovation — it has also enabled the system that followed. The same structures that supported technological progress have also supported:

- rising inequality,
- financialisation,
- environmental degradation,
- and the concentration of corporate power.

The state is not simply absent from these outcomes. It is implicated in them.

Risk socialised, reward privatised — by design

Mazzucato highlights the asymmetry between public risk and private reward. This is a powerful critique. But it also points to something deeper than imbalance: a structural feature of capitalism.

If the system repeatedly produces this outcome, it may not be because policy has failed to correct it. It may be because the system is designed to produce it. Capital seeks to appropriate returns. The state absorbs risk to sustain the system.

In that case, the issue is not how to rebalance capitalism, but whether such rebalancing is stable or sustainable.

Mission-oriented policy, but within what system?

Mazzucato's solution is mission-oriented policy: governments define goals and mobilise resources to achieve them. This is attractive, especially in the context of climate change or public health.

But missions operate within existing economic structures. If those structures are driven by profit maximisation, short-term returns and competitive accumulation, then mission-oriented policy risks being:

- diluted by private interests,
- captured by corporate actors,

- or limited to areas where profitability can still be maintained.

The question becomes whether missions can transform the system — or whether the system reshapes the missions.

The limits of reforming value

Mazzucato challenges the idea that value equals price. This is an important step. But her framework often stops short of fully confronting how value is *appropriated* under capitalism.

Even if we redefine value to include public contribution, ecological sustainability and social wellbeing, the mechanisms of ownership and control remain largely unchanged. Those who own assets still capture returns. Those without assets remain dependent.

Redefining value does not automatically redistribute power.

Saving capitalism — or postponing its crisis?

At its core, Mazzucato's project can be read as an attempt to save capitalism from its own failures by making it more purposeful, more inclusive and more sustainable.

But this raises a deeper question. If capitalism requires continuous intervention to prevent instability, inequality and ecological collapse, is it being reformed — or simply sustained in a modified form?

There is a risk that mission-oriented policy becomes a way of postponing systemic crisis rather than resolving it.

What answering the Mariana Mazzucato Question would require

To engage critically with Mazzucato's work would require going beyond her proposals while taking her insights seriously. That would involve:

- Acknowledging the state's role not just in creating value, but in sustaining existing power structures.
- Examining whether public purpose can coexist with private accumulation at current scales.

- Addressing ownership and control, not just investment and direction.
- Ensuring that public investment leads to structural change, not just improved outcomes within the same system.
- Considering alternatives to growth-driven capitalism, particularly in light of ecological limits.

These questions move from reform to transformation.

Inference

The Mariana Mazzucato Question exposes a tension at the heart of contemporary political economy. Her work powerfully challenges the myth of the passive state and highlights the public foundations of private wealth. But it also raises a more difficult issue, which is whether those insights are being used to reshape capitalism, or to stabilise it in the face of mounting crisis.

If the system consistently produces inequality, instability and environmental damage, then more active state involvement may not be sufficient to resolve its contradictions.

To answer her question is to confront an uncomfortable possibility: the problem may not be that the state has done too little, but that it has been trying to make a flawed system work, and may need to imagine something beyond it.

35. Economic questions: The Nancy MacLean question

Nancy MacLean's *Democracy in Chains* is one of the most powerful books of our time. It is not a conspiracy theory but a history of how the American right turned James Buchanan's public choice theory into a political strategy for entrenching the power of the wealthy minority. Where Keynes sought to save capitalism from itself, Buchanan and his patrons sought to save capitalism from democracy.

MacLean uncovered a network stretching from the University of Chicago to Virginia, and from the Koch brothers' money to state legislatures across America, dedicated to making democratic government incapable of serving the majority. Fiscal rules, voter suppression, privatisation, constitutional "restraints" on spending and taxation: all these were designed to ensure that elected governments could never again redistribute wealth or regulate capital.

Hence the Nancy MacLean Question: ***if democracy must be chained to protect wealth, what is left of freedom?***

The origins of a counter-revolution

MacLean traced the project to the 1950s American South. Desegregation threatened the white elite's control of state power. Economists like Buchanan provided the intellectual armour for resistance. They framed government not as the expression of the people's will, but as a dangerous engine of redistribution.

Public choice theory recasts every act of democratic decision-making as self-interest, whether that be voters demanding benefits, politicians buying votes, or bureaucrats expanding budgets. The proposed solution was to tie democracy down with constitutional chains.

It was, as MacLean wrote, a stealth revolution that replaced bullets and batons with fiscal rules and balanced-budget amendments.

The capture of economics

In MacLean's account, economics was not merely an accomplice in this process, but the weapon.

By presenting anti-democratic constraints as rational and scientific, Buchanan's disciples cloaked ideology in mathematics. They built think-tanks, endowed chairs, and trained generations of scholars who would carry the message into policy.

The language of freedom was inverted. Economic liberty came to mean the right of the wealthy to be untouched by democratic demand. Limited government came to mean limited democracy.

MacLean's achievement was to show that neoliberal economics was not a spontaneous evolution but a conscious political construction — a project of class defence.

The architecture of constraint

What MacLean revealed was not merely a theory but an institutional strategy involving:

- Balanced-budget laws that make social spending unconstitutional.
- Super-majority requirements for tax rises that let a wealthy minority veto redistribution.
- Independent central banks that remove monetary power from elected control.
- Private school vouchers and charter programmes designed to dismantle public education.
- Privatisation that converts public goods into rent-seeking assets.

Each of these mechanisms looks technocratic, but together they amount to a constitutional coup: a re-engineering of democracy to guarantee that the majority can never govern in its own interest.

The moral inversion of freedom

MacLean's most devastating insight is moral. The neoliberal right speaks endlessly of freedom, but it is a freedom defined by exclusion: the liberty of property against the claims of people.

In this world, taxation is tyranny, regulation is oppression, and equality is theft.

Freedom becomes the privilege of the rich to live unaccountably. For everyone else, it becomes the freedom to endure precarity and blame oneself.

This inversion turns the democratic promise of liberty, of self-government through collective action, into its opposite: government chained to capital.

The stealth of respectability

MacLean emphasised that this was not an open assault on democracy but a quiet corrosion of it. The actors were think-tanks, philanthropists, and academic programmes, not soldiers. They spoke the language of reform, efficiency, and choice.

That subtlety is what makes the project so dangerous. It convinces the public that austerity is prudent, that fiscal rules are responsible, and that "sound finance" is common sense. In truth, each of these manacles limits a government's capacity to serve citizens and expands the power of wealth.

The coup succeeded precisely because it hid behind respectability.

The global reach

Though MacLean wrote about America, her diagnosis describes the world.

In Britain, fiscal rules and privatisation have hollowed out public life.

In the European Union, treaties constitutionalised austerity.

In the Global South, debt conditionality enforces neoliberal discipline imposed by the IMF and World Bank.

Everywhere, the same logic applies: constrain democracy in the name of stability, and call it reform.

The moral stakes

MacLean's work reminds us that democracy is not self-sustaining. It can be legally and economically disarmed. When elected governments cannot act for the majority, citizens lose faith. Cynicism becomes the ruling ideology.

She forces us to confront the question Buchanan posed and she inverted: should democracy serve markets, or should markets serve democracy?

Our present crisis — from inequality to climate paralysis — shows what happens when we choose the former.

What answering MacLean requires

To answer the MacLean Question, we must break the chains she exposed. That means:

1. Reclaiming constitutional democracy. Fiscal rules that forbid public investment must be repealed.

2. Exposing capture. Name and dismantle the networks that use philanthropy and academia to entrench plutocracy.

3. Restoring political economy. Bring questions of power, class, and ownership back into the centre of economics.

4. Re-defining freedom. True liberty lies in collective self-government — the freedom to build a just society together.

Inference

The MacLean Question is not abstract. It is the central political question of our time: who governs? Is it the people, or wealth?

MacLean revealed that the right's long project was to make democracy safe for capitalism by making capitalism safe from democracy.

The result is a world where governments are elected but impotent, citizens are free but powerless, and oligarchy rules behind the mask of markets.

Answering her question demands more than policy; it demands moral clarity.

If democracy must be chained to protect wealth, then freedom itself has already been stolen, and our task is to take it back.

36. The Naomi Klein question

Naomi Klein is best known for her book, The Shock Doctrine, published in 2007, in which she argued that economic and political elites have repeatedly used moments of crisis, whether wars, natural disasters, or financial collapses, to implement policies that would otherwise face strong public resistance. These policies often include privatisation, deregulation, and cuts to public services.

Klein's insight is not that crises are fabricated, but that they are exploited. When societies are disoriented and vulnerable, the range of acceptable policy choices narrows. Decisions that reshape economies can be pushed through quickly, often without democratic scrutiny.

This reframes how we understand economic change. It is not only the result of ideas or markets, but of timing, power and opportunity. Hence, the ***Naomi Klein Question: If crises are repeatedly used to advance policies that concentrate wealth and power, why do we continue to treat them as moments of necessity rather than as moments of political choice?***

Shock as a political strategy

Naomi Klein argues that shocks created by sudden, destabilising events create conditions in which normal political processes are suspended. In these moments, governments and institutions can act rapidly, often claiming that there is no alternative.

Policies introduced under these conditions are frequently justified as emergency measures, as happened, for example, during the Covid crisis in 2020. Yet they can have long-lasting effects, reshaping ownership structures, labour markets and public services.

Shock, in this sense, becomes a mechanism for implementing controversial changes.

Crisis and neoliberal reform

Klein has traced how economic crises have been used to advance neoliberal policies worldwide. Structural adjustment programmes, privatisation of state assets, and reductions in social spending have often followed financial crises or political upheaval.

These measures are presented as necessary to restore stability. However, Klein argues that they often deepen inequality and weaken public institutions, benefiting those who are already powerful.

The crisis becomes a turning point, but not necessarily in a direction that serves the broader population.

Disaster capitalism

Klein introduced the concept of disaster capitalism to describe situations where private actors profit directly from crises. Reconstruction contracts, security services, and privatised public functions can generate significant profits in the aftermath of disasters.

This creates incentives for the expansion of private involvement in areas traditionally managed by the public sector. Over time, the boundary between public responsibility and private opportunity becomes blurred as a result.

Crises do, as a result, become the reason for accumulation as well as disruption.

The narrowing of democratic choice

One of Klein's central concerns has been the impact of crisis-driven policy on democracy. When decisions are made quickly under conditions of shock, there is limited opportunity for public debate or accountability.

Policies that might be contested in normal circumstances can be presented as unavoidable. This reduces the space for alternative approaches and concentrates decision-making power in a small number of actors.

Klein's analysis suggests that democracy is most vulnerable precisely when it is most needed.

Climate crisis and competing visions

Klein's later work, including *This Changes Everything*, extended her analysis to climate change. She argued that the climate crisis presents a similar moment of choice to any other crisis: it can be used to justify further concentration of power and profit, or it can become an opportunity for transformative change toward sustainability and equity.

The direction taken depends on political decisions, not on the crisis itself.

What answering the Naomi Klein Question would require

Taking Klein's insights seriously would require a different approach to crises and policymaking. At minimum, this would involve:

- Recognising crises as moments of political choice, not inevitability.
- Ensuring democratic oversight, even and especially during emergencies.
- Protecting public assets and services, rather than using crises to justify their transfer to private actors.
- Designing responses that prioritise social and environmental wellbeing, rather than short-term financial interests.
- Building institutional resilience so that societies are less vulnerable to opportunistic policy shifts during shocks.

These measures would not prevent crises, but they would shape how societies respond to them.

Inference

The Naomi Klein Question challenges a common narrative in economic policy: that crises leave governments with no choice but to act in certain ways. Klein's work suggests that this narrative obscures the role of power and interest in shaping responses.

Crises do not determine outcomes. They create conditions in which choices are made, often quickly, and often by those best positioned to act.

To answer her question is to recognise that the direction taken in moments of crisis reflects political priorities, and not economic inevitability, meaning that safeguarding democratic decision-making during these moments is essential if those priorities are to reflect the interests of society as a whole.

37. The David Graeber question

David Graeber was the anthropologist who re-framed economics by showing that its most basic assumptions were myths.

Where conventional economists traced money to barter and exchange, Graeber traced it to trust and relationships. He argued that the origins of money lay not in markets but in morality: in obligations, promises, and the human capacity for cooperation.

But he also showed how those promises were corrupted: how debt, once a symbol of mutual responsibility, became a mechanism of domination.

Hence the David Graeber Question: ***if money began as a promise of mutual trust, when did it become the instrument of control that imprisons us?***

The false origin story

Economics, Graeber noted, begins with a fable. The claim is that there were once isolated individuals trading goats for grain. Then money evolved to simplify that exchange, after which states and banks came later. This story, told in some way in almost every economics textbook, is almost entirely untrue.

Instead, in every known society, people first organised economic life through relationships of credit and trust. “I owe you” came before “I pay you.” Money began as memory and not as a metal coin.

Graeber's anthropology restored the social dimension that economics had erased: people do not trade because they are selfish, but because they live together.

Debt and domination

Graeber traced the long arc of civilisation through cycles of credit and violence. Periods of trust and mutual obligation gave way to eras of hierarchy, slavery, and debt peonage, when the moral logic of reciprocity was replaced by the coercive logic of repayment.

Debt then became a weapon. Kings, priests, and empires used it to bind the powerless to the powerful. Today, that same dynamic persists: in the relationships between banks and households, creditors and governments, the global north and the global south.

Debt is not merely financial; it is moralised subordination.

The moral inversion of obligation

Graeber's greatest moral insight was that those who owe the most are the least blamed, and those who owe the least are shamed most.

When banks collapse, we bail them out. When citizens default, we punish them. When corporations exploit tax havens, we call them efficient. When the poor ask for help, we call them lazy.

He called this moral inversion the defining hypocrisy of capitalism, which is a system that preaches responsibility but rewards irresponsibility at scale.

Work, bureaucracy, and meaning

In *The Utopia of Rules* and *Bullshit Jobs*, Graeber explored how bureaucracy and finance have fused into a single system of control, but I would argue that *Debt: The First 5,000 Years* is his most important work.

Capitalism, he argued, now survives not through production but through paperwork, including endless forms, metrics, and managerial hierarchies, that reinforce the entrapment of people that debt creates, with people trapped in jobs that serve no purpose except to sustain debt, discipline, and obedience. Work has become theatre; labour, a ritual of compliance.

This, Graeber wrote, is the real crisis of modernity: the loss of meaning disguised as efficiency, but which is actually control.

The anthropology of hope

Unlike Marx's determinism or Keynes's pragmatism, Graeber's vision was profoundly humanist.

He believed that because our institutions are human creations, they can be remade. History, he showed, is full of moments when people simply stopped obeying, meaning hierarchies collapsed because they lost legitimacy.

His activism, from the Occupy movement to debt strikes, was a living experiment in alternative economics and in the reconstruction of reciprocity beneath the ruins of neoliberalism.

Graeber's hope was anthropological: he knew that cooperation is as ancient as competition, and that freedom lies in the capacity to imagine something different.

What answering Graeber requires

To answer the Graeber Question, we must rehumanise money and reclaim the politics of debt. That means:

1. Reasserting money as a public good: governments must issue credit for collective purposes, such as housing, care, and the green transition, rather than claiming that they are leaving money creation to private banks is the solution.

2. Liberating the indebted, meaning governments must assist in the cancellation of unpayable and unjust debts and end the moral stigmatisation of the poor.

3. Redefining value because honour, care, creativity, and community are the true measures of wealth.

4. Reclaiming time, freeing people from meaningless labour so they can contribute meaningfully to society.

The moral economy of freedom

Graeber taught that economics is always moral because debt is always a relationship between people. To reform money is to reform power.

Our age of financial abstraction has severed money from morality and replaced promises with punishment. But if debt once enslaved, it can also be redeemed, and not just be forgiven but redefined as a bond of mutual care.

The task is not to abolish obligation, but to turn it back into solidarity.

Inference

The Graeber Question is the spiritual twin of the Judt Question. Both ask how a civilisation founded on care and promise lost its moral compass.

Graeber's answer is that our debt is not financial but ethical: we owe one another the duty to imagine better.

Money began as trust. It can be trust again.

The future will belong to those who understand that economics is not about exchange, but about relationship, and not about repayment, but about repair.

38. The John Christensen question

John Christensen has spent decades illuminating what the world of mainstream economics, for far too long, preferred not to see: that the global financial system operates through an architecture of secrecy designed to free the wealthy from the obligations that bind everyone else. As co-founder of the Tax Justice Network, Christensen mapped the offshore world not as a scattering of exotic anomalies, but as a coherent system — a network of secrecy jurisdictions, trusts, shell companies, nominee directors and permissive regulators bound together by one purpose: to hide wealth from accountability.

His work exposed how these structures distort markets, undermine states, and erode democratic power. For Christensen, the offshore world is not a side-show; it is the operating system of modern capitalism. And because secrecy enables the rich to opt out of obligations to the societies that sustain them, it fuels a downward pressure on standards — a global race to the bottom in which governments are pitted against each other for the favour of those who can move their money, but not their responsibilities.

Hence the John Christensen Question: *If the wealthiest actors in the global economy can hide their money from scrutiny and responsibility, how can the race to the bottom be avoided and democracy survive the power that secrecy creates?*

Secrecy as strategy, not accident

John Christensen's early professional life in Jersey revealed that secrecy jurisdictions do not emerge organically. They are created, nurtured, and defended by powerful interests, often with the tacit approval of major governments. These jurisdictions provide the infrastructure through which corporations shift profits to low-tax zones, high-net-worth individuals hide assets, and illicit flows move unchallenged.

The intention is not efficiency, but invisibility. Secrecy detaches wealth from any place, law, or community. Once wealth can be hidden, obligations can be evaded. And when obligations disappear, so does the basis of democratic equality.

Profit shifting as systemic abuse

John Christensen argued that profit shifting is not "tax planning" but an institutionalised form of economic extraction. Multinationals record profits in jurisdictions with no real economic activity to avoid contributing to the countries where their workers, infrastructure and consumers actually are. This is not marginal behaviour — it has become the business model of major global firms.

When corporations escape taxation, the public sector loses essential revenue. The result is predictable: underfunded services, higher taxes on ordinary people, and the erosion of social cohesion. Christensen insisted that this is not technical inefficiency. It is a policy failure driven by the power of secrecy.

Secrecy as a threat to democracy

John Christensen's deepest concern was always political. Secrecy empowers wealth at the expense of democratic oversight. If the richest can hide their fortunes, they can also hide their influence — in political donations, lobbying, regulatory capture, and the quiet shaping of national priorities.

Secrecy produces a form of economic citizenship without democratic accountability. Those with offshore structures enjoy the benefits of public infrastructure, markets, legal systems, and social order, but contribute nothing proportionate in return. This breaks the reciprocal bond at the heart of democracy: the principle that those who benefit most from society should shoulder the greatest responsibility.

The race to the bottom

When the wealthy can move money effortlessly across borders, states begin competing to attract paper profits rather than investing in people. Tax rates fall. Labour protections weaken. Regulation is diluted. Transparency is avoided.

John Christensen showed that the "race to the bottom" is not a theoretical risk but a lived reality. Countries that attempt to regulate fairly are punished by the threat of capital flight. Those who capitulate are rewarded with fleeting financial flows that bring no real prosperity. The global economy becomes a contest in regulatory surrender, in which jurisdictions are encouraged to abandon democratic oversight as a competitive strategy.

The UK's offshore empire

John Christensen's work made clear that the UK sits at the centre of this system. Its crown dependencies and overseas territories — Jersey, Guernsey, the Isle of Man, the Cayman Islands, the British Virgin Islands and others — form a constellation of secrecy jurisdictions that funnel vast amounts of global wealth beyond accountability.

These networks are not embarrassing leftovers of empire; they are actively supported hubs that reinforce the City of London's power. The UK thus profits from a system that systematically undermines its own democratic integrity.

What answering the John Christensen Question would require

To confront the corrosive effects of secrecy, a society would have to make reforms that go far beyond closing a loophole here or tightening a rule there. At a minimum, it would require:

- Ending secrecy at the source: public registers of beneficial ownership for companies, trusts, partnerships and foundations in every jurisdiction.
- Taxing multinationals where they create value: through unitary taxation based on real economic activity, not artificial paper flows.
- Reversing the race to the bottom: coordinated international tax floors, anti-avoidance rules, and penalties for jurisdictions that facilitate evasion.
- Dismantling the offshore empire: bringing UK-linked secrecy jurisdictions under the same transparency laws that apply domestically.
- Reasserting democratic control over capital: ensuring that wealth cannot evade the obligations of citizenship through opacity.

These are structural reforms, not technical fixes. They represent a rebalancing of power between democracy and capital.

Inference

The John Christensen Question is, at its core, about power. A democracy cannot survive if its richest members can exist outside the rule of law, outside public scrutiny, and outside the obligations of citizenship. Secrecy is not a financial quirk; it is a political toxin. It hollows out the state, corrodes trust, and undermines the social contract.

Christensen's work shows us that the race to the bottom is not an economic necessity but a political choice — one that arises when governments fear capital more than they defend democracy.

To answer his question is to insist that wealth must be visible, taxable, and accountable, and that the rules of democratic society apply to everyone equally.

Only then can the power of secrecy be dismantled, and only then can democracy hope to survive the pressures that global capital now exerts upon it.

39. The Joe Stiglitz question

Why is Joe Stiglitz in this series? That is because he won the Nobel Prize in 2001 for his work on information asymmetry, which I think is his most important contribution to economics, although, perhaps as importantly, he has also been a public critic of neoliberal economics. Following his time at the World Bank, he challenged the policies of the International Monetary Fund and the Washington Consensus, most notably in his book, Globalisation and Its Discontents (2002). He argued at that time that whilst globalisation should be a force for good, market liberalisation and austerity have, too often, harmed developing economies.

His later work has focused on inequality, especially in The Price of Inequality (2012), in which he argued that economic disparities result from political choices and rent-seeking rather than market inevitability.

Stiglitz's books might have influenced me, but that said, I am not uncritical of his work. His books are often long on analysis and short on recommendations. That is because, like Mariana Mazzucato, he appears intent on reforming capitalism rather than replacing it, despite its inherent faults that will inevitably perpetuate the inequality he has criticised as its consequence.

Joseph Stiglitz has spent much of his career demonstrating that the core assumptions underpinning mainstream economics about perfect information, rational actors, and efficient markets are not just unrealistic, but fundamentally misleading. His work on information asymmetry, for which he was awarded the Nobel Prize in economics, showed that when some participants know more than others, as always happens, markets do not function as theory predicts.

This insight is deceptively simple but deeply disruptive. If information is unevenly distributed, then prices do not reliably signal value, contracts do not fully allocate risk, and market outcomes cannot be assumed to be optimal.

Stiglitz's work therefore undermines one of the central claims of modern economics: that markets, left to themselves, tend toward efficient and fair outcomes.

Hence, the **Joseph Stiglitz Question: If markets are riddled with information asymmetries, power imbalances and systemic failures, why do we continue to treat their outcomes as efficient, fair and self-correcting?**

Information asymmetry as the norm

Stiglitz showed that information asymmetry is not an exception but a defining feature of real markets. Sellers often know more about the quality of goods than buyers do. Employers know more about job conditions than workers do. Financial institutions possess complex information that ordinary investors cannot easily access or interpret.

This imbalance distorts decision-making. Markets may fail to allocate resources efficiently because participants cannot make fully informed choices. The idea of perfectly informed markets, central to much economic theory, collapses under this insight.

Markets that fail systematically

Stiglitz's work goes beyond identifying imperfections. He shows that information problems can lead to systematic market failures as a result of :

- Adverse selection, where low-quality goods drive out high-quality ones.
- Moral hazard, where individuals take greater risks because they do not bear the full consequences.
- Credit rationing, which occurs when lenders restrict access to finance even when borrowers are willing to pay higher interest rates.

These are not marginal issues. They are structural features of key markets, including finance, insurance and labour.

Markets do not merely fail occasionally. They fail in predictable ways.

The myth of trickle-down economics

Stiglitz has also been a prominent critic of the idea that economic growth will naturally benefit all members of society. He argues that when markets are distorted by power and inequality, the gains from growth are often captured disproportionately by those at the top.

Policies that prioritise deregulation, tax cuts for the wealthy and reduced public spending are often justified on the grounds that they will stimulate investment and benefit society as a whole. Stiglitz's analysis suggests otherwise. Without corrective measures, inequality can increase even as the economy grows.

Growth alone does not guarantee shared prosperity.

Financial markets and instability

Stiglitz has been particularly critical of financial markets, which are often presented as efficient mechanisms for allocating capital. In reality, these markets are highly susceptible to information problems, speculation and herd behaviour.

The global financial crisis of 2008 illustrated how these dynamics can lead to systemic instability. Complex financial products obscured risks, while incentives encouraged excessive risk-taking.

For Stiglitz, this was not an anomaly but a consequence of how financial markets operate under conditions of imperfect information.

Power and the shaping of markets

A key theme in Stiglitz's work is that markets are shaped by institutions and power. Rules governing property rights, competition, taxation and regulation influence how markets function and who benefits from them.

Economic outcomes are therefore not purely the result of impersonal forces. They reflect political decisions and institutional arrangements.

Recognising this challenges the idea that market outcomes are neutral or inevitable.

What answering the Joseph Stiglitz Question would require

Taking Stiglitz's insights seriously would require rethinking the role of markets and the state. At minimum, this would involve:

- Acknowledging information asymmetry as a central feature of markets.

- Designing regulation to address systemic market failures, particularly in finance.
- Implementing policies to reduce inequality, ensuring that growth benefits society broadly.
- Strengthening public institutions that shape market outcomes.
- Recognising that markets require governance, rather than assuming they function best when left alone.

These steps would not reject markets. They would make them more effective and equitable.

Inference

The Joseph Stiglitz Question exposes a gap between economic theory and economic reality. While models often assume ideal conditions, real markets are characterised by imperfect information, unequal power and institutional constraints.

Stiglitz's work demonstrates that these factors fundamentally alter how markets operate. Outcomes cannot be assumed to be efficient or fair simply because they arise from market processes.

To answer his question is to recognise that markets are not self-correcting systems but social institutions that require careful design and oversight, and that without such design, they are likely to produce inequality, instability and inefficiency rather than shared prosperity.

40. The Guy Standing question

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.

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 Guy Standing in this series? That is because he has argued that contemporary capitalism is producing a new social class: the precariat. Unlike the traditional working class, whose identity was tied to stable employment, the precariat is defined by precarity, meaning that they have insecure jobs, unpredictable income, lack of rights, and an absence of long-term prospects.

Standing's work, particularly in The Precariat: The New Dangerous Class, suggests that this is not a marginal phenomenon. It is a structural transformation of labour markets driven by globalisation, technological change, deregulation and the erosion of social protections. The implications of this are profound. In Guy's opinion, work no longer guarantees security, identity or dignity.

I came to respect Guy's opinion during the run-up to Covid, when we were both members of the Progressive Economic Forum, which eventually proved itself to be anything but progressive on the issue of modern monetary theory, as a result of which I was expelled from membership. That said, whilst I was there, Guy and I often sat next to each other during meetings and during the conversations we had then, and in later correspondence, I got to know a man committed to the betterment of the human condition through tackling issues around work, the creation of a universal basic income, and the reclaiming of the commons for the benefit of all. That is why he is in this series.

Hence, the ***Guy Standing Question:If a growing share of the population lives with chronic economic insecurity, without stable work, rights or identity, can we still claim to have a functioning and fair economy?***

The rise of the precariat

Guy Standing identified the precariat as a class characterised by uncertainty. Members of the precariat often experience:

- short-term or zero-hours contracts,
- fluctuating income,
- limited access to benefits or protections,
- lack of occupational identity,
- and minimal control over working conditions.

This is not simply low pay. It is a condition of permanent instability. The precariat cannot plan, save, or build a secure future.

Guy argues that this condition is becoming the norm rather than the exception.

The erosion of labour rights

Traditional labour markets offered a degree of stability: long-term employment, predictable wages, and access to social security. These arrangements were supported by unions, regulation and welfare systems.

In recent decades, many of these protections have been deliberately weakened. Labour markets have become more flexible, shifting risk from employers to workers. Individuals are now expected to absorb fluctuations in demand, income, and employment, whereas in the pre-neoliberal era, employers did. The result has been a transfer of insecurity from institutions to individuals.

Work without identity

Guy Standing emphasises that work is not only a source of income but also of identity and social belonging. Stable occupations provide a sense of purpose, skill and recognition.

His argument is that the precariat lacks this foundation. Jobs are often fragmented, temporary and interchangeable. As a result, workers may move frequently between roles without developing a coherent career or professional identity.

This has psychological and social consequences. Without stable roles, individuals can feel disconnected from both their work and their communities.

The politics of insecurity

Standing describes the precariat as a "dangerous class" not because it is inherently disruptive, but because insecurity breeds frustration, resentment and vulnerability to political manipulation.

When people lack stability and voice, they may turn to populist movements, authoritarian leaders or divisive narratives that promise certainty. Economic insecurity can therefore translate into political instability. We are now seeing the consequences of that: Guy's forecasts were prescient.

The condition of the precariat is not only an economic issue. It is a democratic one.

Basic income as a response

Guy Standing has been a prominent advocate of universal basic income (UBI) as a way to address precarity. A guaranteed income, he argues, would provide a foundation of security, enabling individuals to make choices about work, education and participation without constant fear of destitution.

UBI is not intended, in Guy's view, as a replacement for work, but as a means of restoring autonomy and dignity in a labour market that no longer provides them reliably. Whether or not one agrees with this proposal, it reflects the scale of the problem Standing identifies.

What answering the Guy Standing Question would require

Taking Guy Standing's analysis seriously would require confronting the structural nature of precarity. At minimum, this would involve:

- Restoring economic security and ensuring that individuals are not exposed to constant income instability.
- Rebuilding labour rights and protections, adapting them to new forms of work.

- Recognising the social value of work beyond wages, including care and community roles.
- Exploring mechanisms such as a universal basic income to provide a stable foundation.
- Addressing the broader causes of insecurity, including inequality and market deregulation.

These changes would not eliminate flexibility. They would rebalance risk.

Inference

The Guy Standing Question highlights a transformation at the heart of modern economies. Work no longer guarantees stability, and insecurity is becoming a defining feature of economic life. This challenges the assumption that labour markets naturally provide both income and social integration.

If large segments of the population live without security, identity or voice, the consequences extend beyond economics into politics and social cohesion.

To answer Guy Standing's question is to recognise that an economy built on widespread precarity cannot be considered either efficient or just, and that restoring security is not a secondary concern, but a central requirement for a stable and functioning society.

This is where the series becomes explicitly about power, class, and lived reality.

Chapter 8 — Human-centred economics

Introduction

What would it look like to build an economics that started with people rather than with markets? That asked not what the economy produces but what it enables human beings to be and to do? That measured success not by the aggregate size of output but by whether people have the real conditions necessary to live lives worth living?

These are not difficult questions. They are, in fact, the questions that any honest inquiry into economic purpose would begin with. The difficulty is not intellectual but political: answering them seriously would require confronting how far current arrangements fall short of any defensible standard of human flourishing.

Amartya Sen's capabilities approach does exactly that. His argument, that freedom is not simply the absence of constraint but the genuine ability to pursue a life one has reason to value, represents the most persuasive reorientation of economic purpose I have encountered. It exposes the shallowness of an economics that equates well-being with income and progress with growth. Two people with identical incomes can have radically different capabilities depending on their health, their education, their security, their social standing, and their political voice. Raise national income and you may not improve any of those things. Sen's work makes it impossible to pretend otherwise.

Kate Raworth's doughnut framework provides something different but complementary: a visual and conceptual architecture for thinking about what a sustainable and just economy would actually look like. The safe and just space she identifies, bounded on the inside by the social foundations necessary for human dignity and on the outside by the ecological limits within which life on this planet is possible, is at once simple and deeply challenging. It reframes the central economic question from how to grow faster to how to thrive within limits, and that reframing, if taken seriously, changes almost everything.

Neither of these thinkers claims to have solved the problem of how to get from here to there. What they offer is something prior to that: a clear account of what "there" should look like. That clarity is more radical than it sounds.

41. The Amartya Sen question

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.

Amartya Sen's inclusion in the series follows naturally from my reading of his book A Idea of Justice, in which he built on the work of John Rawls and advanced it for the sake of society at large. Few political economists leave a legacy as significant as that. Sen has been awarded the Nobel Prize in economics, but that is not a reason to be here: he is here because he helped shape my thinking about the world we should live in by presenting a coherent philosophy of economics and of life itself that explains how we can help people live fulfilled lives. For me, that is what political economy is about.

Amartya Sen's work is one of the quiet revolutions in modern political economy. At the very moment when mainstream economics had reduced almost everything to income, prices, and what neoclassical economists call utility, Sen asked a much older and much more human set of questions. What does it mean to live well? What does it mean to avoid needless suffering? What does it mean to be genuinely free, not just on paper, but in the texture of everyday life?

His answer was as simple as it was subversive. We cannot judge a society by what it produces, or even by what it pays, but only by what people are actually able to *do* and *be*. He called these real possibilities capabilities, and with that one move, he exposed how shallow and how morally evasive so much of modern economics had become.

Hence, the Amartya Sen Question: *If freedom is the capability to live a full human life, why do we still run economies that deny so many people the means to be free?*

Income is not life

Sen's work begins from an obvious truth that economics has learned to ignore. Two people with the same income may live utterly different lives. One may be healthy, secure, literate, and politically included; the other may be ill, excluded, or constantly afraid. Raise national income and you may not improve any of those things.

Deprivation, he argued, is not just a matter of low money income. It is the loss of the freedom to avoid preventable illness, to learn, to participate in society, and to exercise agency over one's own life. A country can grow richer in the aggregate while large parts of its population become less free in any meaningful sense. Once that is understood, it becomes impossible to pretend that GDP, or even average household income, can stand in as measures of well-being.

Capabilities and real freedom

For Sen, freedom is not simply being left alone, whether by the state or the market. Freedom is having genuine options, backed by real resources, to choose and pursue a life one has reason to value. A person without access to healthcare is not free to be healthy. A child without schooling is not free to develop their potential. A carer without income security is not free to say no to exploitation.

Capabilities are, in that sense, the real content of liberty. They describe what people can actually *achieve* in the circumstances in which they find themselves. Sen's move from income to capability is therefore a move from abstraction to reality. It insists that the language of “choice” and “opportunity” is empty if people lack the material, social, and institutional support that makes those choices real.

Why democracies prevent catastrophe

Perhaps Sen's best-known empirical claim is that famines do not happen in functioning democracies. That is not because democracies are magically richer or more efficient, but because they provide people with political capabilities. A free press can report hunger. Opposition parties can raise it in parliament. Citizens can organise, protest, and vote governments out of office.

In authoritarian systems, by contrast, those capabilities do not exist. People may starve while official statistics show surpluses. Here, Sen's framework shows its political edge. Starvation, premature death, and extreme insecurity are not just misfortunes; they are failures of public responsibility. They reflect a lack of accountability and participation — a lack of capability in the political sphere. That is why he insisted that development is inseparable from democracy, and that deprivation is always, in part, a political fact.

The poverty of mainstream economics

By the time Sen's work on capabilities became widely known, mainstream economics had largely retreated into a narrow concern with preferences, prices, and growth rates. Welfare was equated with utility and measured by consumption. Policy success was read off from movements in GDP or productivity.

Sen's work quietly dismantles this entire edifice. People need far more than consumption to live decent lives: they need public health, education, safety, social recognition, environmental stability, and time to care. None of these appear in standard models. An economy that expands output while undermining these foundations may look successful on paper, but it is failing in terms of capabilities. Sen, in effect, accuses the profession of having confused what is easy to count with what actually counts.

Power and the production of capability

Sen is often presented as gentle and technocratic, but his analysis has a hard edge. People lack capabilities for reasons that are deeply structural. Low pay, insecure work, unaffordable housing, underfunded services, discrimination, and deliberate austerity all constrain what lives people can live.

To talk about capability is to talk, inevitably, about power. Who decides how resources are allocated? Whose needs are recognised? Which voices shape policy? A capability perspective makes it impossible to treat poverty as individual failure or inequality as a natural outcome of talent. It reveals them instead as the predictable result of institutions designed around profit and so-called sound finance rather than human flourishing.

Ecology and future freedoms

Although Sen did not frame his work primarily in environmental terms, the implications are clear. Capabilities are not only those of the present; they also belong to future generations. A society that degrades its soil, water, air, and climate is destroying the capabilities of those who come after it.

Environmental damage does not show up straightforwardly in income statistics, but it does, inexorably, reduce the real freedoms future people will have — to avoid disease, to find secure shelter, to grow food, and to live without chronic disaster. An economic system that treats ecological limits as an afterthought is therefore one that is trading away freedom for short-term gain. Sen's framework makes that trade-off morally explicit.

What answering the Amartya Sen question requires

Seen from Sen's perspective, the usual language of “freedom” in economic debate looks threadbare. To answer the Sen Question would require us to redesign our priorities. That would mean, at the very least:

- Reframing policy goals so that success is judged by the expansion of people's capabilities on issues such as health, education, security, and participation, rather than by the size of GDP.

- Rebuilding public services, requiring that healthcare, education, housing, social care, and income security be the core infrastructures of freedom, not as costs to be cut.

- Redistributing power and resources, meaning that taxes, regulations, and labour and democratic rights be reformed to ensure that no group's capabilities are systematically sacrificed to others' wealth.

- Embedding ecological limits, which would require recognition that sustaining the capabilities of future generations requires deliberate restraint on forms of production and consumption that destroy the conditions of life.

These are not technocratic adjustments. They represent a wholesale change in what we think economies are for.

Inference

The Sen Question goes to the heart of our contemporary confusion. We insist that we value freedom, but we organise our economies in ways that deny millions the real means to live freely. We celebrate choice while eroding the public systems that make meaningful choice possible. We measure growth while capabilities stagnate or decline.

Sen offers a way out of that confusion. He gives us a language in which to say, plainly, that freedom without capability is an illusion, and that an economic system which cannot deliver the basic conditions for a fulfilled human life is, in the end, a failure, whatever the national accounts may say.

Answering his question would mean abandoning the comforting fictions of neoliberalism and accepting a much more demanding standard: that the purpose of the economy is to expand what people can actually be and do. Until we are willing to make that shift, our talk of freedom will remain just that.

42. The Kate Raworth question

Kate Raworth is best known for her concept of Doughnut Economics, first set out in 2012 and later developed in her book *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*. The image she proposes is deceptively simple: a ring, or doughnut, bounded on the inside by the social foundation required for human wellbeing and on the outside by the ecological ceiling beyond which environmental systems break down.

Between these two boundaries lies the safe and just space in which humanity can flourish.

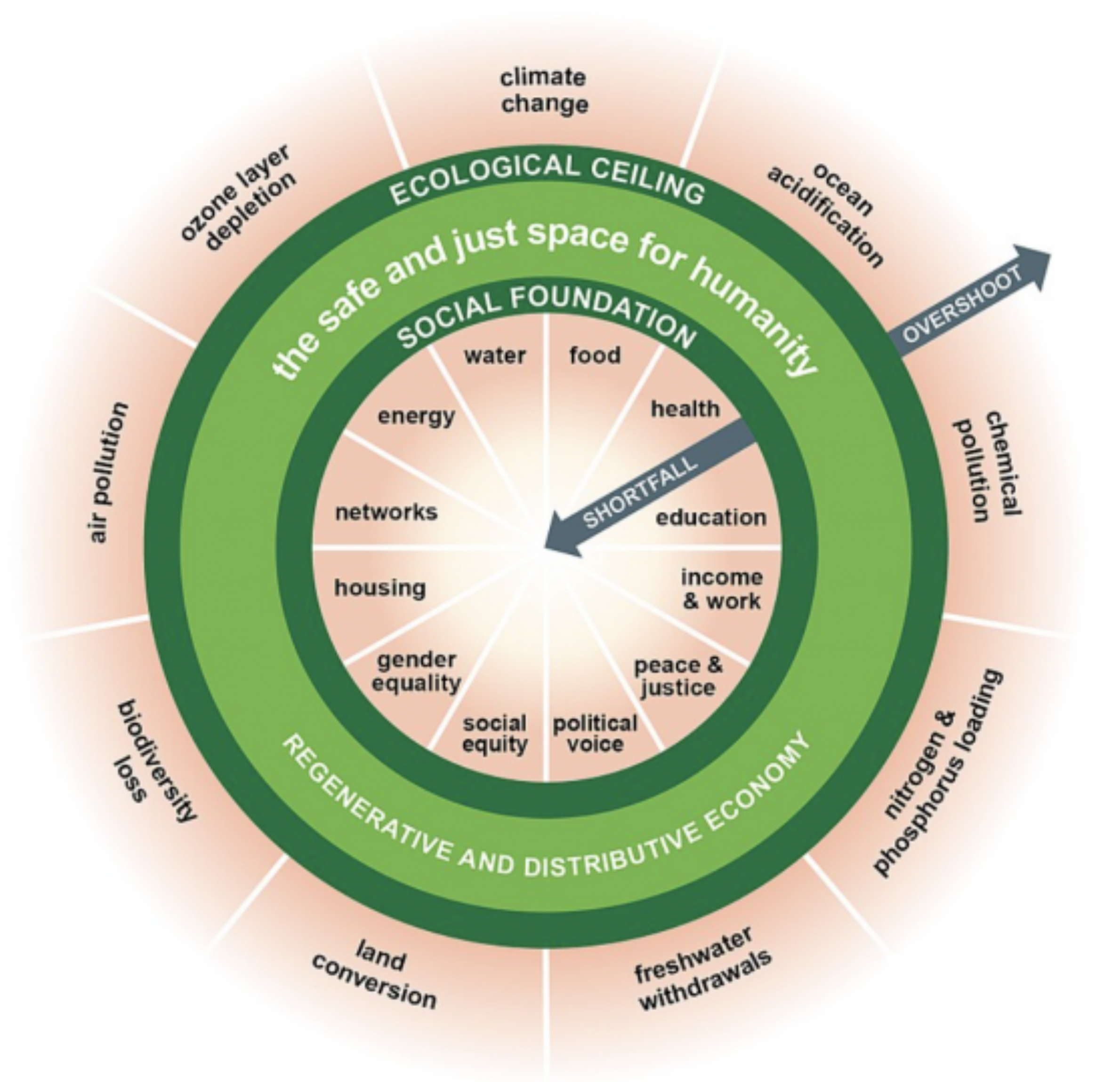

Image source: Wikipedia

Raworth's insight is that the purpose of economic activity should be to keep societies within this space, ensuring that everyone has the essentials of life while respecting the limits of the Earth's ecosystems. Yet modern economics still focuses overwhelmingly on increasing output, often ignoring whether that growth improves wellbeing or damages the environment, hence the **Kate Raworth Question:** ***If the goal of the economy is to enable people to thrive within the limits of the planet, why do we continue to judge success almost entirely by whether GDP keeps growing?***

The social foundation

Raworth's inner boundary represents the basic conditions required for a dignified life: food, clean water, healthcare, education, housing, energy, equality, political voice and social equity. Failing to meet this foundation means people lack essential capabilities.

In many countries, these deficits remain widespread. Poverty, insecurity and unequal access to services persist despite decades of economic expansion. Raworth, therefore, argues that economic success cannot be measured solely by output if large portions of society remain excluded from its benefits.

Meeting the social foundation is the first responsibility of a functioning economy.

The ecological ceiling

The outer boundary of the doughnut reflects the limits of the Earth's natural systems. Climate stability, biodiversity, healthy soils, freshwater availability and ocean health are all essential for sustaining life.

Economic activity that pushes beyond these limits undermines the very systems on which prosperity depends. Climate change and ecological degradation demonstrate how growth-oriented economies can overshoot planetary boundaries.

Raworth's framework insists that environmental constraints are not peripheral concerns. They define the operating conditions of the economy.

The safe and just space

The doughnut's central insight is that prosperity lies not in maximising growth but in maintaining balance, which is the theme that I addressed in my 2011 book, *The Courageous State*. An economy should aim to lift everyone above the social foundation while staying below the ecological ceiling.

This requires a shift in perspective. Instead of asking how to grow GDP faster, policymakers must ask whether economic activity is improving wellbeing without exceeding environmental limits.

The goal becomes thriving within limits, rather than expansion without end.

Rethinking economic models

Raworth criticises the traditional circular flow diagrams that portray the economy as a closed system of production and consumption. In reality, the economy is embedded within society and dependent on the biosphere.

By restoring this context, Doughnut Economics reconnects economics with ecological and social realities. Markets, firms and households operate within systems that supply resources and absorb waste. Ignoring these systems creates policies that appear efficient but prove unsustainable.

The doughnut is therefore not merely a metaphor but a structural correction to economic thinking.

Cities and practical application

Raworth's ideas have gained traction in cities and local governments seeking alternatives to conventional growth strategies. Amsterdam, for example, has explored using the doughnut framework to guide urban development, aiming to balance social needs with environmental responsibility.

These experiments suggest that the framework can move beyond theory into practical policymaking. By mapping where societies fall short of social foundations or exceed ecological ceilings, policymakers can identify priorities for action.

The doughnut thus becomes a tool for guiding decisions rather than simply critiquing growth.

What answering the Kate Raworth Question would require

Taking Raworth's framework seriously would involve a substantial shift in economic priorities. At a minimum, it would require:

- Replacing GDP growth as the primary indicator of success, incorporating measures of wellbeing and ecological health.
- Ensuring universal access to the social foundations of life, including healthcare, housing and education.
- Operating within planetary boundaries, reducing resource use and emissions to sustainable levels.
- Redesigning economic institutions, from finance to taxation, so they support regeneration rather than extraction.
- Encouraging innovation that improves quality of life without expanding material throughput.

Such changes would move economic policy toward balance rather than perpetual expansion.

Inference

The Kate Raworth Question challenges one of the central assumptions of modern economics, which is that prosperity depends on continuous growth. Raworth argues instead that the real task of economics is to create conditions in which humanity can thrive within the limits of the planet.

Her framework reframes economic success not as the size of the economy but as its ability to sustainably meet human needs. If societies continue to pursue growth without regard for social foundations or ecological ceilings, they risk both persistent inequality and environmental collapse.

To answer Raworth's question is to recognise that the purpose of the economy is not endless expansion but the creation of a safe and just space in which people and planet can flourish together.

Chapter 9 — Ecology and the limits of growth

Introduction

For most of its history, economics has treated the natural world as either a backdrop or an afterthought, presuming it to be an inexhaustible source of inputs or an unlimited sink for waste. The discipline's models have proceeded as though the economy existed independently of the physical systems that sustain it, as though growth could continue indefinitely on a finite planet, and as though ecological damage was an externality to be corrected at the margin rather than a gathering threat to the conditions on which economic life depends.

The consequences of that assumption are now bearing down on us.

William Nordhaus is included here not as an ally but as a cautionary example, and perhaps the most consequential one in this entire book. Credited with bringing climate change into economic modelling, he constructed frameworks that have reassured policymakers for decades that even catastrophic warming would produce only modest economic losses. That conclusion has no serious basis in physical science. It results from assumptions so detached from physical reality, ignoring tipping points, ecosystem collapse, agricultural failure, mass migration, and the potential uninhabitability of large parts of the Earth, that they amount to fantasy dressed as rigour. The damage done by those models, in terms of the complacency they enabled and the delay they justified, is incalculable.

E.F. Schumacher's challenge cuts deeper than most environmental economics is prepared to go. His insistence that an economy which treats size, speed, and growth as values in themselves will destroy the natural, social, and moral fabric on which prosperity depends is not a romantic complaint. It is a structural argument. And his proposition that the right scale of enterprise is the smallest that can do the job, and that appropriate scale is a matter of accountability, meaning, and human comprehension, and not just of efficiency, remains as radical now as it was when Small Is Beautiful appeared in 1973, and so heavily influenced my teenage thinking.

Herman Daly's contribution is the most rigorous. His distinction between growth and development, and between an increase in the physical scale of the economy and an improvement in its quality, provides the framework within which any honest discussion of sustainability must take place. Growth cannot continue indefinitely within a finite biosphere. Development is the form of qualitative improvement without increasing material throughput, can. The steady-state economy he envisioned is not stagnation. It is maturity. And the refusal to take it seriously is an index of how far economics remains from confronting the physical realities that will, in the end, enforce themselves whether we choose to engage with them or not.

43. The William Nordhaus question

William Nordhaus is noted as the economist who is said to have brought climate change into economic modelling, earning him the 2018 Nobel Prize. But his legacy is far more troubling than that accolade suggests. Nordhaus's "DICE" (Dynamic Integrated Climate-Economy) models and the broader Integrated Assessment Model (IAM) framework he popularised have done something astonishingly dangerous: they have reassured policymakers that catastrophic global warming will have only modest economic impacts.

As Steve Keen, one of the most persistent critics of IAMs, has demonstrated, Nordhaus's models rest on assumptions so detached from physical reality that they amount to pseudo-science. They treat 4°C of warming — a level widely considered compatible with civilisational collapse — as causing only a single-digit percentage reduction in global GDP. They assume vast areas of the planet that will be rendered uninhabitable remain economically productive. They rely on guesses rather than physical modelling to determine climate damages. And they embed discount rates that minimise the value of future human life.

Far from warning humanity of existential risk, Nordhaus's work has provided intellectual cover for delay, complacency and incrementalism. His models have underpinned decades of tepid climate policy and legitimised the belief that the market can handle what physics tells us is an emergency.

Hence the William Nordhaus Question: ***If the climate-economy models shaping global policy systematically underestimate catastrophe, misrepresent physical reality, and legitimise dangerous inaction, why do we still rely on them to guide the fate of civilisation?***

A model that sanitises catastrophe

Nordhaus's central claim is that climate change will be costly but manageable. His DICE models, which are still used by governments and international institutions, suggest that even extreme warming will reduce global GDP by only a few percentage points.

This result is not the outcome of rigorous physical modelling. It comes from a set of arbitrary assumptions that assign "damage functions" based on limited data unrelated to climate physics. The models exclude tipping points, ecosystem collapse, mass migration, agricultural failure and conflict. They treat the biosphere as if it were a neat, linear component of an economic equation.

By excluding the catastrophic, Nordhaus's models guarantee the conclusion that a catastrophe will not happen.

The seduction of false precision

Nordhaus's IAMs present themselves as scientific because they use complex mathematics. But complexity does not produce truth when the inputs are wrong. His temperature–damage relationships are speculative; his representations of human behaviour simplistic; his assumptions about technological substitution wildly optimistic.

The danger lies in the authority the models command. Policymakers treat their outputs as objective forecasts rather than artefacts of questionable assumptions. The result is a false sense of knowledge and a false sense of safety. Nordhaus created models that look rigorous but are unmoored from physical limits.

This illusion of precision has done immense harm.

The moral vacuum of discounting

Nordhaus uses discount rates that dramatically reduce the value of future generations' welfare. A life lost in 2100 is treated as less significant than a small cost today. This is not science; it is a moral choice disguised as mathematical necessity.

High discounting effectively asserts that preventing catastrophe for future generations is too "expensive" to justify action now. It devalues the lives of those yet to be born and places a price tag on planetary stability.

In doing so, it embeds an intergenerational injustice that should horrify any serious moral philosopher.

Ignoring physical limits

Nordhaus treats the economy as if it were floating above the physical world; a system of preferences, prices and production functions, only lightly touched by energy, ecology or thermodynamics.

In reality, economies are embedded in natural systems. They depend on stable climates, predictable weather, fertile soils, functioning oceans, and safe temperatures. Nordhaus's IAMs treat these conditions as optional. They assume that economic activity can continue largely unaffected even when physical reality collapses.

Steve Keen and others expose the absurdity: you cannot have GDP on a dead planet.

Legitimising under-reaction

The most politically consequential aspect of Nordhaus's work is not academic error but its influence. His models guided US government climate policy for decades. They shaped cost–benefit analyses across the global north. They helped justify slow timelines for decarbonisation and incremental targets that fail to match the speed of physical change.

Nordhaus concluded that the "optimal" level of global warming is around 3.5°C. This is astonishing: a level at which large parts of the world would become uninhabitable, food systems would buckle, and global conflict would explode. Yet such conclusions flowed logically from models designed to downplay catastrophe from the outset.

What answering the William Nordhaus Question would require

To take Nordhaus's critics seriously — and to protect humanity from model-induced complacency — we would need to:

- Abandon IAMs that ignore physics, in the process rejecting models that treat climate risk as a smooth and mild function of temperature.
- Build models rooted in physical science, incorporating tipping points, non-linear damage, systemic collapse and ecological interdependence.
- End the use of high discount rates, recognising that future lives cannot be devalued because present elites prefer low costs today.

- Treat climate action as a moral imperative, not a market optimisation problem, recognising that survival is not an economic choice but a foundational condition.
- Reframe climate policy around precaution, not prediction, acting on the worst plausible outcomes, not the rosier ones favoured by IAMs.

These are not refinements. They are a fundamental rejection of the framework Nordhaus built.

Inference

The William Nordhaus Question forces us to confront the terrifying disconnect between economics and physical reality. Nordhaus's models, even if they are celebrated by the discipline and used by governments, treat existential risk as a manageable inconvenience. They have reassured policymakers when they should have alarmed them. They have provided the appearance of knowledge where there is uncertainty, and the veneer of rationality where there is wishful thinking.

The tragedy is that models designed to guide humanity away from danger instead steered us toward complacency. Nordhaus offered the world a mathematical tranquilliser, and the world eagerly swallowed it.

To answer his question is to reject the intellectual comforts of false certainty and insist that economics face the reality physics already describes. The climate does not negotiate with discount rates. It does not obey production functions. It does not respond to optimisation.

It responds to emissions, and it punishes delay.

The task now is clear. It is to:

- replace models that reassure with models that warn,
- replace complacency with courage, and
- rebuild climate policy on the basis of physical truth rather than economic fantasy.

44. The E F Schumacher question

This post refers to E.F. Schumacher, whose writing was most notable in the 1970s and 1980s, when they had a considerable influence on my thinking as I first became very aware of the need for action on climate change. His most notable book was Small Is Beautiful, which might fairly be described as eclectic but was nonetheless deeply influential in green thinking and remains so today.

Why is Schumacher in this series? Firstly, because of his influence on me. Second, because he proved that narratives can change thinking on political economy. And third, because he was a pioneer of what I think is incredibly important, which is creating the changed thinking that is essential if our planet is to survive.

Ernst Friedrich Schumacher was one of those rare economists who, as a humanist, saw that the purpose of economics was not to serve markets but to serve life. His book Small Is Beautiful: A Study of Economics as if People Mattered (1973) appeared amid oil shocks and environmental anxiety, but its message has lost little of its power.

Schumacher's starting point was deceptively simple. The modern economy, he said, is built on the illusion that “bigger is better,” and that scale itself is proof of progress. Yet the pursuit of endless expansion, whether in firms, nations, consumption, and technology, destroys the natural, social and moral fabric on which prosperity depends.

He asked a question that economics still cannot answer: how big can we grow before we cease to be humane?

Hence, **the Schumacher Question*****: if small is beautiful because it respects life's limits, why do we persist in worshipping size, speed and growth when they destroy the very foundations of well-being?***

Economics as if people mattered

Schumacher's critique began with a reversal of priorities. Economics, he argued, should be a branch of moral philosophy concerned with human flourishing, not a calculus of output.

He wrote that the modern economist "is used to measuring the cost of everything and the value of nothing." The fixation on GDP and productivity ignores whether work is meaningful, communities are whole, or the environment endures.

An economy that measures success only in money will destroy the things that money cannot buy.

The fetish of bigness

Schumacher saw "bigness" as the modern superstition. Large corporations, vast bureaucracies, and giant technologies all promised efficiency but delivered alienation. When scale outruns empathy, people become cogs.

Bigness centralises power; it dulls accountability; it creates distance between decision and consequence.

He proposed a different principle, which he described as 'appropriate scale'. The right size of enterprise is the smallest that can do the job. The right level of technology is the simplest compatible with need. The right kind of system is one that keeps power close to people.

Small is not nostalgic; it is proportionate.

Technology with a human face

Schumacher rejected the technocratic fantasy that machines could solve every problem. Technology, he argued, must be made to serve man, and not the other way round.

He championed what he called intermediate technology, which comprises tools that enhance local capacity rather than displace it and that respect human skill rather than render it obsolete.

In a world now seduced by artificial intelligence, this warning is prophetic. Technology without moral direction becomes dehumanising. The question is never just what we can do, but what we should do.

The ecological reality

Long before climate change entered mainstream debate, Schumacher recognised that the economy is a subsystem of the environment, not its master. He described fossil fuels as capital being treated as income. By burning them as if infinite, we were liquidating the planet's wealth.

Sustainability, for Schumacher, was not a slogan but a moral imperative. The economy must operate within ecological limits, or it will cease to exist. Growth that destroys its foundations is not progress, he said; it is self-harm.

Work as fulfilment

For Schumacher, work was not merely a means to an income but a source of meaning. He argued that the aim of work should be to liberate people from the compulsion of economic necessity, and to provide the basis for a good life.

When labour is reduced to cost and people to "human resources," society corrodes. Small-scale, community-rooted production allows dignity and creativity to flourish.

The politics of enough

Schumacher challenged the ideology of scarcity that drives modern capitalism. The problem, he said, is not that we have too little but that we want too much. The pursuit of ever-rising consumption, he argued, is a moral and ecological dead end.

He proposed instead an economics of enough, where meaning is derived from sufficiency rather than accumulation, quality rather than quantity, and well-being rather than wealth.

It is an idea so radical that half a century later, mainstream politics still cannot speak it aloud.

Answering Schumacher today

To answer the Schumacher Question, we must abandon the cult of bigness and relearn proportion. That means:

1. Localising production, requiring shorter supply chains, community energy, and regional food systems.

2. Democratising ownership, with an emphasis on cooperatives, municipal enterprises, and worker-led firms that keep wealth circulating locally.

3. Redefining progress, requiring the replacement of GDP with indicators of well-being, sustainability, and equity.

4. Humanising technology, implying the redirection of innovation towards care, repair, and ecological restoration rather than speed and profit.

5. Embedding limits, meaning accepting that infinite growth on a finite planet is impossible, and redesigning prosperity accordingly.

Inference

The Schumacher Question exposes the moral void at the heart of modern economics. We have mistaken scale for success, quantity for quality, and growth for good.

Schumacher's vision remains the antidote: economies rooted in place, guided by ethics, and organised for sufficiency rather than excess.

If small is beautiful, it is not because it is quaint, but because it is sustainable, humane, and free.

The task now is to make economics beautiful again and to design systems that serve life instead of consuming it.

45. The Herman Daly question

Herman Daly (1938-2022) spent much of his career challenging one of the central dogmas of modern economics: the belief that continuous economic growth is both possible and desirable. Working first within mainstream economics and later helping to establish the field of ecological economics, Daly argued that the economy cannot be understood apart from the physical systems that sustain it.

Conventional economic models often treat the environment as a backdrop or as a supplier of resources and a sink for waste. Daly reversed this perspective. The economy, he insisted, is not the whole system. It is a subsystem embedded within the biosphere, dependent on flows of energy and materials that the planet can supply only in limited quantities.

Once this is recognised, the idea of endless growth begins to look less like ambition and more like denial.

Hence, the **Herman Daly Question:** ***If the economy is a subsystem of the biosphere, and the biosphere has limits, why do we organise economic policy around the assumption that growth can continue indefinitely?***

The economy as a physical system

Daly argued that economics had become detached from the physical realities on which it depends. Production requires energy, materials and ecological processes. Waste must be absorbed somewhere. These flows are governed by the laws of thermodynamics, not by market preferences.

Yet economic models frequently assume that technological innovation or substitution can overcome any resource constraint. Daly did not deny the importance of innovation, but he insisted that physical limits cannot be wished away by theory.

An economy that ignores its material foundations risks expanding beyond what the planet can sustain.

Growth versus development

Daly distinguished between growth and development. He argued that growth means an increase in the physical scale of the economy, involving more extraction, production, and consumption. Development, however, means improvement in quality, requiring better technology, better organisation, and greater wellbeing without necessarily expanding material throughput.

This distinction is crucial. Growth cannot continue forever in a finite system, but development can. Daly, therefore, argued that mature economies should shift their objectives away from expansion toward qualitative improvement.

The goal should be a steady-state economy in which resource use stabilises within ecological limits.

When growth becomes uneconomic

In Daly's framework, growth can become uneconomic when the environmental and social costs exceed the benefits. At that point, further expansion reduces overall well-being, even as GDP continues to rise.

Examples are increasingly visible: pollution, climate change, biodiversity loss, urban congestion, and rising inequality. These costs are often treated as externalities, but Daly insisted they are signals that the scale of economic activity has exceeded sustainable limits.

Continuing to pursue growth under these conditions is not progress. It is an overshoot.

The illusion of decoupling

Many policymakers respond to ecological concerns by arguing that economic growth can be decoupled from environmental impact through efficiency improvements and technological change. Daly was sceptical. Efficiency gains can reduce resource use per unit of output, but total resource use may still rise as the economy expands.

This phenomenon, sometimes called the rebound effect, means that efficiency alone cannot guarantee sustainability. Without limits on total throughput, productivity improvements may simply enable faster expansion.

Daly, therefore, argued that sustainability requires attention not just to efficiency but to scale.

The steady-state economy

Daly's proposal for a steady-state economy does not imply stagnation. Instead, it envisions an economy in which population and material throughput remain within ecological limits while human well-being continues to improve.

Such an economy would focus on stability, resilience and equitable distribution rather than constant expansion. Investment would prioritise maintaining infrastructure, restoring ecosystems and improving the quality of life rather than simply increasing production.

In Daly's view, prosperity does not require perpetual growth.

What answering the Herman Daly Question would require

Taking Daly's insights seriously would require profound changes in economic policy and measurement. At minimum, this would involve:

- Recognising ecological limits as binding constraints on economic activity.
- Replacing GDP as the primary measure of success, incorporating indicators of wellbeing and environmental health.
- Stabilising material throughput, ensuring resource use does not exceed planetary boundaries.
- Reducing inequality, which intensifies pressure for status-driven consumption.
- Designing policies that prioritise resilience and long-term sustainability over short-term growth.

These changes would not abandon economics. They would reconnect it with the physical world on which it depends.

Inference

The Herman Daly Question challenges one of the most deeply ingrained assumptions of modern political economy, that growth must continue indefinitely. Daly showed that this assumption is incompatible with the ecological realities of a finite planet.

If the economy is embedded within the biosphere, its scale cannot expand without limit. Eventually, the costs of growth exceed its benefits. Ignoring this truth does not remove the constraint; it simply delays the moment when ecological limits assert themselves.

To answer Daly's question is to recognise that the real challenge of the twenty-first century is not how to grow the economy endlessly, but how to organise it so that human wellbeing can flourish within the limits of the Earth.

Chapter 10 — What kind of knowledge is economics?

Introduction

Economics claims the authority of science. It dresses its conclusions in mathematics, submits them to peer review, and presents its models as descriptions of reality rather than constructions of a particular version of it. That authority has been enormously consequential. Policies affecting the lives of billions have been designed around it, and alternatives have been dismissed as economically illiterate on the basis of it. The question this chapter asks is whether that authority is deserved.

The two thinkers gathered here are not economists. That is rather the point.

Erwin Schrödinger asked how living systems maintain order in a universe governed by the tendency toward disorder, and answered that order is not natural or free, that it must be actively sustained through the continuous input of energy, and that without such maintenance, decay is the default condition.

The implications reach far beyond biology. Economies are not equilibrating systems that return naturally to stability when disturbed. They are processes that require continuous maintenance, care, and renewal. Infrastructure crumbles, institutions decay, trust erodes, skills atrophy. Cut the maintenance and entropy accelerates. The work that resists this, whether it be cleaning, repairing, caring, teaching, or healing, is systematically undervalued in economics, and often not counted at all. Schrödinger gives that omission a physical foundation. It is not a sentimental error. It is a thermodynamic one.

Richard Feynman's standards for what genuine understanding requires are devastating when applied to modern economics. His insistence that you do not understand something unless you can explain it simply, test it against reality, and abandon it when it fails leaves little room for a discipline that protects its core assumptions from empirical challenge, rewards mathematical sophistication over explanatory power, and cannot reliably predict or account for the crises it is supposed to prevent. The technical complexity of economics is real. Whether it reflects genuine knowledge of how economies work, or elaborate technique in the service of conclusions that were decided in advance, is a question the discipline has not honestly answered.

46. The Erwin Schrödinger question

Erwin Schrödinger is best known as one of the founders of quantum mechanics, but in *What Is Life?* (1944), he did something quietly revolutionary. He asked how living systems maintain order in a universe governed by the second law of thermodynamics, which states that entropy, or disorder, always increases. In the pivotal sixth chapter of that book, he offered an answer that should have transformed not only biology, but economics: life survives by feeding on "negative entropy". This means that life can be maintained only by continuously expending energy to resist decay.

This insight has profound implications far beyond biology. Schrödinger showed that order is not natural or free. It is costly, fragile, and temporary. It must be actively sustained. Decay is the default. Maintenance is not optional. And without continual energy and care, all systems, whether biological, social, or institutional, fall apart.

Economics, however, largely ignores this truth. It treats growth as automatic, equilibrium as usual, and maintenance as secondary. Schrödinger's work exposes this as a fundamental error.

Hence, the Erwin Schrödinger Question: *If life persists by resisting entropy through care, maintenance and the continual input of energy, why does economics still treat decay, depletion and disorder as externalities rather than central facts of social organisation?*

Entropy as the default condition

Schrödinger's starting point is stark: the universe tends toward disorder. Structures do not persist by chance. They persist only by consuming energy and exporting entropy elsewhere. Living organisms survive by maintaining internal order at the expense of increased disorder in their surroundings.

This overturns any worldview that assumes stability is natural. Order is, when thermodynamics is understood correctly, achieved; it is not a given. The same applies to societies. Infrastructure crumbles. Institutions decay. Trust erodes. Skills

atrophy. Ecosystems and cultures collapse. Without continual investment of energy, attention and care, decline is inevitable.
Economics, by contrast, often models systems as if they naturally tend toward balance. Schrödinger shows this is a fantasy.

Life as a process, not a state

In Chapter 6 of *What Is Life?*, Schrödinger emphasises that life is not a thing but a process. It is a continuous struggle against entropy. To live is to work constantly to preserve structure. The moment that work stops, decay begins.

This insight directly contradicts economic models that treat capital, infrastructure, skills and institutions as durable stocks rather than fragile processes. Maintenance, in such models, is often invisible. Only new production counts. GDP rises when something is built, not when something is cared for, repaired or preserved.

Schrödinger reveals the absurdity of this distinction. In reality, maintenance is the primary economic activity of any mature system.

Energy, not money, sustains order

Schrödinger was explicit: life feeds on energy. No amount of information, coordination or cleverness can substitute for the physical requirement of energy input. This has direct relevance for economics, which frequently treats energy as just another input, interchangeable, substitutable, and secondary.

But without energy, there is no production, no maintenance, no life. Economic growth has always been tied to increased energy throughput. Ignoring this leads to fantasies of dematerialised growth, frictionless digital economies, and limitless expansion detached from physical reality.

Schrödinger reminds us that economies are thermodynamic systems, not abstract machines.

The invisibility of care and maintenance

One of the most striking implications of Schrödinger's argument is how closely it aligns with feminist economics and the politics of care. The work that resists entropy, whether it be cleaning, repairing, caring, teaching, healing, or maintaining, is systematically undervalued or ignored in economic accounting.

Yet this is the work that keeps systems alive. Without it, collapse follows. Schrödinger gives this insight a physical foundation: care is not sentimental. It is thermodynamically necessary.

An economics that ignores care is not incomplete — it is wrong.

Growth as a temporary victory over decay

Schrödinger does not deny that order can increase locally. Life does it all the time. But it does so by drawing down energy and exporting disorder. Growth, therefore, is always conditional and temporary.

This directly challenges the economic obsession with perpetual growth. Growth is not the natural state of a system; it is a phase. Mature systems must prioritise stability, resilience and maintenance over expansion. Failure to do so leads to overshoot and collapse, a point echoed by the Club of Rome in the 1970s, Herman Daly, and ecological economists.

Schrödinger provides the underlying physical logic.

Institutions as living systems

Seen through Schrödinger's lens, institutions behave like living organisms. They require constant renewal. Rules must be updated. Norms reinforced. Trust rebuilt. Skills refreshed. Infrastructure repaired.

When maintenance is cut, whether through austerity, neglect or ideological hostility to the public realm, entropy accelerates. Services fail. Legitimacy erodes. Systems become brittle. Collapse appears sudden, but it is always the result of long-term neglect.

Schrödinger helps us see that institutional failure is not mysterious. It is entropic.

What answering the Schrödinger Question would require

To take Schrödinger seriously would require a profound reorientation of political economy. At minimum, it would mean:

- Recognising entropy as central to economics, meaning that we treat decay, depletion and disorder as core realities, not side issues.

- Valuing maintenance as productive work, requiring that infrastructure be repaired and that care, education, health, and ecological restoration be seen as central economic functions.

- Re-centring energy and ecology, which means that we acknowledge that economic activity is constrained by physical energy flows and planetary limits.

- Abandoning equilibrium fantasies, requiring that we replace static models with dynamic, open-system thinking.

- Designing economies for resilience, not maximum throughput, meaning that we prioritise stability over growth.

- Embedding care at the heart of economic design, because care is how systems resist collapse.

These are not ideological choices. They are physical necessities.

Inference

The Erwin Schrödinger Question exposes a foundational blind spot in modern economics. Life does not persist by optimisation, equilibrium or price signals. It persists through continuous work against decay. Schrödinger showed that order is costly, fragile and temporary, and that ignoring this reality guarantees collapse.

An economics that treats maintenance as secondary, care as unproductive, and energy as interchangeable is not merely incomplete. It is incompatible with life itself.

To answer Schrödinger's question is to accept a humbling truth, which is that the central economic problem is not scarcity, but entropy, and that the central economic activity is care.

That insight belongs at the heart of any political economy worthy of the name.

47. The Richard Feynman question

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Richard Feynman was not merely a great physicist; he was one of the most relentless critics of fake knowledge ever to stand inside an academic discipline. His lectures, essays and public interventions were animated by a single principle: you do not understand something unless you can explain it simply and show that it works in the real world.

Feynman distrusted jargon, reverence and credentialism. He had little patience for explanations that substituted formal technique for comprehension, and none at all for disciplines that mistook mathematical elegance for truth. His pedagogy was an act of intellectual honesty: a refusal to pretend to know what was not known, and a refusal to protect theories from failure by hiding behind technical sophistication.

Applied to modern economics, Feynman's standards are devastating.

Hence, the Richard Feynman question: *If understanding only exists when ideas can be clearly explained, tested against reality and shown to work, why does modern economics so often reward technical knowledge and mathematical technique in place of genuine understanding?*

Knowing the technique versus understanding the phenomenon

Feynman drew a sharp distinction between knowing how to manipulate symbols and knowing what those symbols mean. He repeatedly warned that technical competence can mask conceptual emptiness. One can solve equations, apply methods, and reproduce formal results without understanding the system those methods are supposed to describe.

Modern economics often privileges exactly this kind of knowledge. Students are trained in optimisation, equilibrium analysis and econometric techniques, yet are rarely asked whether the underlying assumptions describe real human behaviour, real institutions, or real power relations. Mastery of method replaces comprehension of reality.

Feynman would have recognised this instantly: technique mistaken for understanding.

Pedagogy as a test of truth

Feynman believed teaching was not a performance but was diagnostic. The act of explanation exposes whether an idea is understood or merely memorised. That is why he insisted on teaching fundamentals: foundations, in his opinion, revealed weakness.

In economics, pedagogy often conceals rather than reveals. Introductory courses present mathematical models as settled knowledge, while debates, failures and empirical contradictions are postponed or omitted altogether. Students are taught how to solve problems before they are taught whether the problems are meaningful or how they fit into economic history and philosophy.

This is not neutral. It trains compliance with technique rather than engagement with truth.

Mathematics as language, not authority

Feynman loved mathematics, but he never treated it as an authority. For him, mathematics was a language for describing reality, not a substitute for it. When equations failed to capture the behaviour of the world, the equations were wrong, not reality.

Economics frequently reverses this relationship. When markets behave unpredictably, when crises occur, when policies fail, models are rarely abandoned. Instead, they are adjusted, extended or reinterpreted so that the formal structure survives intact. Mathematical consistency is preserved even as explanatory power evaporates.

Feynman had a name for this: self-deception protected by technique.

The moral duty not to confuse precision with truth

One of Feynman's most important pedagogical principles was ethical. He argued that the scientist's first responsibility is not to fool themselves. Precision, he warned, is dangerous when it creates unjustified confidence. Numbers with decimal points can give the illusion of knowledge where none exists.

Modern economics often produces precisely this illusion. Highly technical models generate precise-looking outputs that disguise deep uncertainty, contested assumptions and political choices. These outputs then acquire authority in policymaking, not because they are true, but because they look scientific.

For Feynman, this was not an innocent error. It was a moral failure.

Jargon and technique as shields against accountability

Feynman was suspicious of complexity that served no explanatory purpose. He understood how easily technical language becomes a shield, protecting ideas from challenge and their authors from responsibility.

Much of modern economics is inaccessible not because the world is that complex, but because opacity has become a professional defence. Technical mastery becomes a gatekeeping mechanism. Those who question assumptions are dismissed as unsophisticated. Democratic debate is sidelined as a result of appeals to expertise.

Feynman would have recognised this as epistemic authority replacing intellectual honesty.

Education for thinkers, not technicians

Feynman believed education should produce thinkers capable of questioning premises, testing ideas, and admitting ignorance. Technique was a tool, not a destination.

Economics education, by contrast, often produces technicians who are skilled at operating within models whilst discouraging them from interrogating their foundations. The result is a discipline rich in method but poor in wisdom; powerful in influence but fragile in understanding.

This is not accidental. A discipline that rewards technique over understanding reproduces itself without ever confronting its failures.

What answering the Richard Feynman Question would require

To apply Feynman's pedagogical ethic to economics would require rebalancing the discipline away from technique-as-credential and back toward understanding-as-purpose. That would mean:

- Reasserting understanding as the goal of economic education, and not mathematical proficiency alone.
- Teaching assumptions as assumptions whilst examining their empirical and moral consequences.
- Treating models as tools and not truths, meaning they can be discarded when they misdescribe reality.
- Valuing clarity over obscurity, in the process rewarding economists who can explain ideas without hiding behind formalism.
- Embedding uncertainty honestly in policy advice, resisting as a result the false authority of spurious precision.
- Restoring democratic accountability, ensuring economic claims can be understood and contested by citizens.

These changes would not weaken economics. They would rescue it.

Inference

The Richard Feynman Question exposes a central pathology of modern economics: the elevation of technical knowledge above genuine understanding. Feynman reminds us that the ability to manipulate equations is not the same as knowing what one is doing, and that mathematical sophistication can become a barrier to truth rather than a path to it.

If economics cannot explain its ideas clearly, test them honestly, and abandon them when they fail, it has no claim to authority over society.

Feynman's challenge is therefore devastating in its simplicity: understanding, not technique, is the measure of knowledge, and without understanding, power is unjustified.

Chapter 11 — Where we are now

Introduction

Every book like this one eventually has to arrive at the present. Having traced the history of economic thought, its moral origins, its analytical development, its capture by particular interests, its failures and its partial recoveries, the question that remains is the most demanding one, which is what should economics become?

This final chapter does not pretend to offer a complete answer. It does, however, offer an honest account of where the preceding journey has led.

Paul Krugman represents, with great intelligence and genuine conviction, the limits of the liberal economic imagination. He has been right about more than his critics on the right will acknowledge, and there is nothing contemptible about pragmatism in the face of ideological excess. But there is something insufficient about an economics that can diagnose market failure, demand stimulus rather than austerity, and critique the extremes of inequality, while remaining unwilling to ask whether the system producing these outcomes is itself the problem. When the ship is sinking, navigating carefully around the iceberg that has already struck is not enough.

Tony Judt was not an economist but a historian who became, in the years before his death, the moral conscience of a political economy that had lost its bearings. His warning, that societies built on greed and neglect always fall, and that the post-war generation understood things about solidarity and public purpose that the neoliberal era has deliberately unmade, carries the particular authority of someone who had read enough history to know where such forgetting leads. His question, which underlies everything in this book, is also the simplest: *if we know how to care for one another, why have we chosen to stop?*

I close the series with myself, not because my work deserves to stand alongside that of the other forty-nine thinkers gathered here, but because an account of where fifty years of economic thinking has led seemed incomplete without some reckoning of where it led me. The question I have spent most of my working life asking, is that if we have the real resources to provide security, care, and a liveable future, why do we organise society as if we cannot afford to? This is, I believe, the question to which everything in this book has been building.

The answer, as I have come to understand it, is not primarily economic. It is political. And that, in the end, is what the entire journey of this series has been trying to establish.

48. The Paul Krugman question

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.

And ***The Paul Krugman question is: if even the most reasonable defenders of capitalism admit it keeps breaking, why do they never ask whether the system itself is the problem?***

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:

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

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

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

4. 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.

49. The Tony Judt question

Tony Judt was not an economist but a historian of conscience. In the years before his untimely death, paralysed by disease yet intellectually fearless, he became the moral historian of the neoliberal age. His book Ill Fares the Land (which I strongly recommend reading) was a cry from a lifetime of study: that a civilisation which abandons care for efficiency, and solidarity for self-interest, loses not just justice but meaning.

Judt's power came from memory. He remembered what Europe looked like when unregulated markets collapsed into depression, when fascism filled the vacuum, when decency was rebuilt from ruins. His warning was simple: we have been here before.

***Hence, the Tony Judt Question:* if we know that societies built on greed and neglect always fall, why have we forgotten how to care for one another?**

The moral memory of reconstruction

After 1945, Europe rebuilt not only its cities but its ethics. The generation that emerged from war understood that the market could not be the sole arbiter of worth. The welfare state was born from trauma — a recognition that freedom without security was hollow.

In Britain, Beveridge's "giant evils" of want, ignorance, disease, and squalor demanded a collective cure. In France, the resistance's ideals became the basis for social insurance. In Scandinavia, the democratic state was recast as the guarantor of dignity.

Judt called this the moral memory of post-war Europe — a shared understanding that society is a verb, not a noun. It exists because we care for one another.

The great forgetting

By the 1980s, that moral memory had been deliberately erased. Reagan and Thatcher preached that there was no such thing as society. Market competition became the new civic virtue. Inequality, once seen as the problem, became the neoliberal solution.

Judt saw this as the great forgetting, and not as an accident, but as a cultural project imposed on society. The social democratic imagination was dismantled piece by piece. Public housing was sold off. Public utilities were privatised. The collective was redefined as inefficient.

Citizens became consumers. Rights became costs. The idea of a shared good was replaced by the metrics of private gain.

The cultural poverty of neoliberalism

For Judt, this was not only an economic catastrophe but a spiritual one. His argument was that the economist had been substituted for the moralist, efficiency for decency, and calculation for compassion.

Public life shrank to the management of GDP and inflation. Universities became marketplaces of credentials. Journalism became data without truth. Politics became administration without purpose.

Neoliberalism's great victory was not material but psychological — to make alternatives seem impossible, to convince citizens that selfishness was realism.

Thatcher said, "There is no alternative". Her aim was to make people believe that.

The new insecurity

Judt warned that when societies cease to care, insecurity returns, and these changes are not just material, but existential. People lose trust in institutions and hope in politics. Fear replaces faith.

The postwar welfare state had made citizens free from fear. Neoliberalism returned them to precarity. Housing became unaffordable, work was unstable, pensions were uncertain, and the young were burdened by debt, but we were told that these were the fruits of freedom.

In such a world, resentment festers: politicians promise false protection, nationalism masquerades as solidarity, and democracy erodes from within.

The politics of remembrance

Judt's last years were spent in physical immobility but intellectual revolt. He spoke of the need for moral rearmament, which embraced a recovery of the language of duty, decency, and care. He urged us to remember that taxes are the price of civilisation, that public goods are not charity but justice, and that government is not the enemy of freedom but its guarantor.

History, for Judt, was not nostalgia but moral instruction. We do not honour the past by worshipping it but by learning from its mistakes. Forgetting, he warned, is how societies die.

What answering Judt requires

To answer the Tony Judt Question, we must remember what post-war citizens knew instinctively: that the economy exists to serve people, not the other way around. That means:

1. Rebuilding solidarity by restoring universal services such as health, housing, and education as expressions of mutual trust.

2. Restoring moral purpose to politics, replacing managerialism with meaning. Governments must articulate what kind of society they seek to create, and not just how to fund it.

3. Revaluing the public: public spending is not waste; it is the delivery of civilisation.

4. Reclaiming decency. Justice must be spoken of again as a moral necessity, not an economic variable.

Inference

The Tony Judt Question is both elegy and alarm. It reminds us that civilisation is fragile and that societies forget the moral foundations of care at their peril.

Judt's message was not nostalgic but prophetic: we will rediscover solidarity either through memory or through catastrophe.

The choice, as always, is ours.

If we know how to care — and we do — the greater sin is not ignorance, but forgetfulness.

50. The Richard Murphy question

Why have I included myself in this series, writing about my own work as a third party? There are several reasons for doing so.

Firstly, this series, as it transpired, refers to the work of 50 people who have influenced my thinking over the 50-year period since I went to university to study economics. It is in that context that it is relevant, I think, to note where that thinking has led.

Secondly, several commentators, including my old friend John Christensen, with whom I have worked for almost 25 years now and whose own work is referred to in this series, suggested that it would be incomplete unless I did so. I have accepted their suggestion that I do something that would not have occurred to me. I do, then, continue in the style I have used for all others included here.

Richard Murphy has spent much of his career as a political economist exposing what he regards as one of the most damaging myths in modern political economy: that governments are financially constrained in the same way as households. This belief, he argues, lies at the heart of austerity, underinvestment, social insecurity and the failure to respond adequately to climate breakdown.

Murphy's work draws on accounting, monetary operations and institutional reality to show that governments which issue their own currency do not need to "raise money" before they can spend. They create money through the banking system, and taxation follows to manage inflation, shape behaviour and redistribute resources. Once this is understood, the central constraint on policy is no longer financial but real: the availability of labour, skills, materials, technology and ecological capacity.

This reframing has profound implications. It means that many of the solutions to the most urgent social and environmental problems we face are not unaffordable. They are unchosen.

Hence, **the *Richard Murphy* Question: If governments create the money that sustains our economies, and if we have the real resources to provide security, care and a livable future free from fear, why do we continue to organise society as if we cannot afford to do so?**

The myth of the household analogy

Murphy's starting point is simple: a government that issues its own currency is not like a household. Households must earn before they spend. Governments spend by creating money and taxing afterwards.

Yet public debate is dominated by the opposite belief. Governments are said to "run out of money", to need to "balance the books", and to require borrowing before spending. These claims are not merely inaccurate. They are politically consequential. They justify cuts to public services, constrain investment, and create a false sense of scarcity.

Murphy's challenge is direct: the limits we are told exist are largely fictional.

Real resources, not money, are the constraint.

If money can be created, what limits government action? Murphy's answer aligns with ecological and Keynesian insights: real resources. The question is not whether we can afford to employ people, but whether the people, skills and materials exist to do the work. The question is not whether we can afford a green transition, but whether we have the capacity to deliver it without generating inflation.

This shifts economic debate from accounting to reality. It forces policymakers to confront actual constraints — labour shortages, supply chains, ecological limits — rather than hiding behind financial ones.

Tax as a tool, not a funding source

Murphy also challenges conventional views of taxation. In his framework, taxes do not fund spending in a currency-issuing state. Instead, they serve three primary functions:

- to control inflation by reducing demand by reclaiming money the government has spent into circulation,
- to redistribute income and wealth,
- to shape economic behaviour.

This perspective reframes debates about tax policy. The issue is not whether taxes are needed to pay for services, but how they are used to create a fair and stable economy.

Austerity as political choice

Murphy's critique of austerity follows directly from his analysis of money. If governments are not financially constrained in the way commonly assumed, then cuts to public spending cannot be justified on grounds of necessity. They become political choices.

Austerity, in this view, redistributes resources away from public services and toward private wealth. It creates insecurity, not because resources are lacking, but because access to those resources is restricted.

Murphy, therefore, treats austerity not as prudence but as policy failure.

The integration of care, ecology and accounting

What distinguishes Murphy's work is its integration of monetary analysis with broader social goals. He argues that understanding how money works is essential for addressing:

- inequality,
- underfunded public services,
- climate change,
- the care economy,
- and democratic accountability.

If the financial constraint is misunderstood, all of these areas suffer. Governments underinvest, societies tolerate avoidable hardship, and long-term challenges are deferred.

Murphy's contribution is to connect the mechanics of money with the ethics of policy.

Why the myth persists

If the reality of government finance is as Murphy describes, why does the household analogy persist? Part of the answer lies in political convenience. The belief in financial constraint limits expectations. It narrows debate. It protects existing distributions of wealth and power.

If people believe that governments cannot afford to act, they are less likely to demand action. The myth, therefore, functions as a form of control, shaping what societies consider possible.

What answering the Richard Murphy Question would require

To take Murphy's argument seriously would require a fundamental shift in economic thinking and policy. That would involve:

- Abandoning the household analogy in public finance.
- Designing policy around real resource constraints rather than financial myths.
- Investing in public goods such as health, education, housing, care and climate where capacity exists.
- Using taxation actively to manage inflation and inequality.
- Restoring democratic control over economic priorities.
- Creating a focus on sustainability.

These changes would not remove limits. They would replace imaginary limits with real ones.

Inference

The Richard Murphy Question exposes one of the most consequential misunderstandings in modern political economy: the belief that governments are financially constrained in ways that prevent them from addressing social and environmental challenges. Murphy's work suggests that this belief is not simply mistaken but harmful.

If the true limits on economic policy are real resources and ecological boundaries, then many of the hardships societies accept today are not unavoidable. They are the result of decisions made within a framework that misrepresents what is possible.

To answer his question is to recognise that ***the problem is not that we cannot afford a better society, but that we have chosen not to create one.***