

We need capital controls, including tariffs

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There is little to celebrate about the steel dispute.

The government has been cruelly exposed as the possessor of dogma but no useful policy.

People face bleak futures.

The difficulty of creating real environmental change in the face of Chinese intransigence is apparent.

The illogicality of promoting international trade competition is writ large over everything that occurs.

So let me find a small silver lining if I can. This is that tariffs are back on the agenda, where they belong. The Ricardian ideal that competitive advantage alone should determine who has the commercial right to determine the source of supply for a country, irrespective of national interest, was always flawed and yet whole economic systems - including the EU - have been built upon it.

We have, I think, now realised that there is a limit to the number of people any society can absorb from beyond its borders if the process of change is to be manageable. Not all on the left are willing to say this, but I can see no reason why not. A policy of controlling immigration welcomes the fact of migration; welcomes the migrant and is designed to achieve the best for them as well as those who they will share their new home with. Debate can take place on how many might come and the criteria for selection might be and these are enormously sensitive issues but in my opinion a policy for controlling immigration should be about making migration work.

The same is true for the movement of capital. Capital comes in all sorts of forms. There is human, emotional, intellectual, environmental, national, personal, corporate and financial capital. We have, perversely, chosen that financial capital shall have almost complete freedom whilst limiting in some way most others. The consequence has been predictable. Just as unfettered migration creates processes of change that can be too

difficult to accommodate so too can the unfettered movement of capital be harmful. We have now suffered that free movement for too long and are seeing the consequences.

The implication is obvious. A policy that favours the movement of capital must also, and simultaneously, constrain that movement to ensure that the common good is achieved.

This is no new departure for me; in my book *The Courageous State* I argued in favour of capital controls, which I think wholly appropriate on occasion. The realisation came from looking at the harm tax havens have caused in the era of capital market liberalisation.

Capital controls do, of course, include tariffs intended to protect local markets.

Let me be clear that I am not proposing anything of the sort we had in the 1970s and before. Nor am I saying that fixed exchange rates are required. Far from it.

Just as a migration policy is pro-migrant so is a policy of capital controls pro-capital. That is unambiguously true. But in the process it aims to ensure that capital is used for productive benefit when it is all too readily apparent that excessive capital flows and concentrations can be destructive not only of capital itself (witness 2008) but of other forms of capital as well.

If this debate is now open for discussion I welcome that. It would be a small silver lining to emerge from the mess created by the dedication to the freedom of financial capital (and nothing else) now being evidenced in South Wales, as well as in Redcar so recently.