

Funding the Future

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I noted [yesterday](#) the questions that might appropriately be asked about the future of capitalism. I suggested it is in crisis because right wing politicians have abandoned it; Brexit threatens it and the left have not learned how to exploit this.

There are other dimensions to this issue. As I argued, the economic system that the right wing of politics is now supporting is not capitalism. Capitalism has always been about control of the means of production. This seems to no longer be the concern of the right wing, who have lost interest in anything so sordid as making money by doing things. Instead their concern is rentierism, or financial exploitation.

Rentierism does not have the goal of making anything. It has the goal of top-slicing the efforts of others to extract reward without the bother of working.

Collecting rental income from land is one way of doing this, of course.

But so too is earning excessive interest from those in desperate need of a loan to make ends meet.

As is taking an excess salary from a company that no one can reasonably say has been earned, but was paid simply because there was no one to object to it.

Tax avoidance is another form of rentiersim. Remember that this activity is not things like using an ISA or paying into a pension. Tax avoidance is about exploiting loopholes in the law to not pay tax in ways that legislators never intended. The use of tax havens - that have been deliberately created in most cases to facilitate this process - is an obvious (but not the only) indication of this activity.

In due course I have no doubt there will be another form of rentierism: there will be those who will free-ride measures taken to reduce carbon emissions for personal gain. Of that I have no doubt. And the chance that those with wealth will also try to buy themselves out of the consequence of those measures - maybe using their gains held in tax havens - will also undermine cohesion on this issue.

The purpose of this rentier activity is in every case the same. It is to extract unearned income. It is to redistribute wealth from those who have little to those who have much,

including most of the power. It is to increase inequality. And it is to create division.

This has always been dangerous to society as a whole. It is now profoundly dangerous to the process of tackling climate change. There are three reasons.

First, governments like that the UK now has, which is dedicated to the interests of rentiers, will not believe action on climate change is necessary because they will believe that they can buy themselves out of its consequences and will as a result be indifferent to them. That may be naive on their part, but that will not stop them believing it possible.

Second, they will use their wealth to challenge the priority of tackling climate change as a consequence. And that matters, because nothing is more important.

Third, precisely because their goal is to extract reward, rather than make it, they will oppose the redistribution that is inherent in every version of the Green New Deal that I have seen.

The Green New Deal has always been about more than the climate crisis. We have always talked about jobs, training, investment, economic stimulus for those on low incomes, and a fundamental reform to the focus of economic strategy. It has, then, always challenged rentierism. And one way it has always sought to do that has been by promoting tax reform, which has been at the heart of the Green New Deal since 2008.

I admit that is in part the result of my work. The question 'how are you going to fund the Green New Deal?' always came up, and tax reform has always been an obvious way to answer that question. Closing the tax gap would have always been, and still is, a way to square this equation and simultaneously controlled inflation without increasing tax rates for many, which is vital to its success. So I stand by that.

But along the way the issue of tax haven abuse has come up, as have wealth taxes, although not as much as they might. There was good reason for that. It is hard to recall now how much has changed with regard to both tax havens and wealth tax since 2008, when the Green New Deal was first launched.

Back then there were almost no signs of breaking the secrecy that surrounded these places. Indeed, we were only just identifying secrecy as the key issue to be tackled. Now there is extensive automatic exchange of tax data from these places: better than exists in many instances within the UK in fact. And that means that while in 2008 they were effective boltholes for wealth seeking to avoid any charge to tax that is something much harder to achieve now. The consequence is that when in 2013 Thomas Piketty proposed a global wealth tax it seemed like a pipe-dream now but now it is entirely plausible.

I suggest that awareness of this is now critical to the success of a Green New Deal. The

fact is that the cohesion necessary to fight global heating will not exist whilst the tiny number of people who are the world's ultra wealthy think they can stand aside and oppose it because their wealth might be reduced by the success of a Green New Deal. And that means these people need to be tackled head on by global wealth taxes.

That is not because we need their money. We do not. Modern monetary theory has shown that. Instead this is about power. The wealth of these people is used to oppose the well-being of the people of this world, with whom the owners of this wealth are inherently in conflict. Rentierism guarantees that conflict exists. To challenge it then is not to create class conflict; it is instead the necessary response to an economic assault that is already being pursued by the most wealthy.

I stress, such a tax can be selective. It need not charge the owner of a London semi-detached home. It might not even need to attack productive capital, although defining that may be hard. What it needs to attack is excess passive wealth. Start at £5 million I'd say. Make its location in a tax haven reason for an excess charge. And make the rate high enough to be penal, by which I mean that the rate will not just reduce the return on the wealth but actually redistribute the capital as well.

Rentierism and human survival are in conflict with each other. One has to win. And it cannot be rentierism. The time for wealth taxation has arrived. Survival might depend upon its success. The power to oppose what is necessary for human life to continue has to be eroded. Wealth tax can do that.