

Climate, economic and tax justice are the same fight

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Very shortly before the coronavirus pandemic really broke the Tax Justice Network [published the first of a two-part series](#) of articles on the relationship between the climate crisis, economic justice and tax justice. I had an article in that first part of the series. For very obvious reasons the second part was delayed, but is now coming out. [This is Nick Shaxson's editorial that introduced that second part](#), which I share with permission:

The world is divided between those who worry about the end of the world and those who worry about the end of the month, a French [“Yellow Vest” protester](#) said in 2018. That is a starting point for trying to understand how to pay for two emergencies: the huge costs of the unfolding economic shock of the Covid-19 lockdowns, and the even bigger long term costs of re-engineering our economies and our lives needed to stop potentially catastrophic global heating.

According to the [International Energy Agency](#), the world needs \$3.5 trillion in global energy-sector investments alone every year until 2050, if we are to limit global temperature rises to 2.0 degrees centigrade.

*Many people think that the fight to protect the world’s climate is separate from the struggles to tackle inequality, oligarchy, or racial or gender injustices. This is a dangerous delusion, for — as this edition of *Tax Justice Focus* shows — the two struggles are inseparable, and each will fail without the other. This is for several reasons.*

First, we face many of the same enemies, such as Charles Koch, Rupert Murdoch and other powerful interests who have financed both climate denialism and campaigns to persuade voters to cut taxes and deregulate our economies — with the Trumpian aim to override democracy and build oligarchic power at all costs. It is hardly surprising that their campaigns go together: according to the French economist [Thomas Piketty](#), the richest 1% of the planet emit more carbon than the poorest 50%. Meanwhile tax havens reduces states’ ability to address environmental threats, while also providing safe havens for fossil fuel wealth looted from the environment.

A second reason was articulated by the Yellow Vest protesters in France, furious that ordinary folk are asked to pay new carbon taxes while unaccountable elites engorge themselves on state largesse. If the gigantic costs of the carbon transition are shouldered by lower-income groups, their rage at being shafted — again — will create fertile ground for demagogues and conspiracy theorists to recruit them in their millions and overturn the climate movement. This is already happening extensively in the United States, Brazil, and elsewhere, and it is also a reason why the climate movement is struggling to emerge from what one of its leaders [has called](#) its “white, middle class ghetto.”

*The Taiwanese academic and author Chien-Yi Lu outlines a third reason why the two struggles are inseparable, in her article for this edition of *Tax Justice Focus*.*

Neoliberalism, an organised programme to usurp democracy by replacing political decision-making with economic calculations, is the bedrock of the climate crisis, she explains. Neoliberalism was always a strategy that used deceit to undermine progressive Keynesian economic ideas, just as climate denialists have undermined climate science. The trick has been to give people the *appearance* of empowerment through individual choice and freedom — but in the process atomising and dividing them and thus dismantling and discrediting the idea of society, government and the common good. That common good includes the climate, of course. To tackle global heating, or economic inequality, using any approaches based on individual empowerment and freedom will fail.

So economic justice is not just a nice add-on to climate justice: we must join forces. This must not be a story of environmentalists against workers, or of poor nations against rich ones. It is a battle to organise to rebuild the common good, against the tax haven-using carbon elites and economic elitists. There is no other way to proceed.

So: how can we pay for the climate transition in a progressive way?

[Part One](#) of our edition on tax justice and the climate, published last month, provided some answers: removing \$400 billion in annual fossil fuel subsidies; transparency through new climate-friendly accounting standards; activism from groups like Extinction Rebellion; and a scheme to auction carbon permits and redistribute the proceeds equally to all citizens. In this edition, Jacqueline Cottrell now shows that carbon taxes can be progressive — if governments step up and design the policies in the right way.

Leading this edition, Peter Bofinger, arguably Germany’s best known economist, kicks back against a deadly German consensus known as Black Zero: the idea that governments must always match spending with tax revenues and not borrow or run budget deficits. His article *Black Zero against the Climate*, written for us just before the Covid-19 crisis erupted in Europe, unpacks the “[corn economy](#)” fallacies and misunderstandings that underpin Black Zero and shows why states can and must borrow (and use central bank intervention) to pay for the transition. But German thinking has infected the European Union through mechanisms such as the [Stability and](#)

[Growth Pact](#), and now risks sabotaging the possibility of climate funding.

If states cannot finance the climate transition, then the financial sector will do it.

This would pose immense dangers, not just because states can borrow to spend far more cheaply than private actors can, and because states are accountable to citizens whereas financiers are not.

Financial sector players will also use an array of tried and tested mechanisms to shift the risks of investment onto the public, and shift the rewards to themselves. They specialise in creating and occupying economic choke points through which the vast sums must pass, from which they can milk great wealth that would otherwise be spent on the climate, or on softening the economic blow of the transition (or of the Covid-19 crisis). As former Bank of England Governor Mark Carney [crowed](#) earlier this year, the immense sums required to finance the climate transition “could turn an existential risk into the greatest commercial opportunity of our time.”

This is an existential danger to us all. It is the climate version of the [Finance Curse](#), and the subject of our next article, The Wall Street Climate Consensus by Daniela Gabor, a world expert on finance and shadow banking. The transition can be financed in two ways, she writes. The first would follow a [Green New Deal](#) logic, with state-led green industrial policies and monetary policies, and strong penalties for polluters. The other, status quo route, sees private actors providing the financing: they will harvest the rewards while states and taxpayers take on the risks, in a dangerous game of “subsidised greenwashing.” She outlines just how to confront the Wall Street Climate Consensus.

Economic crisis is an opportunity for deep-seated change. The Covid-19 crisis seems [unlikely](#) to melt away with a V-shaped recovery, and a return to the status quo. The time to push new ideas is NOW.

The 18th Century political philosopher Edmund Burke summed up how to proceed —

When bad men combine the good must associate; else they will fall, one by one, an unpitied sacrifice in a contemptible struggle.”

If we do not unite climate justice with economic justice, tax justice, racial justice and gender justice, those worried about the end of the month will become the enemies of those worried about the end of the world. The result will be an environmental, economic and political catastrophe.

Download and read the full edition of this round of essays [here](#).

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