

What I think XR should be saying about capitalism

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There were many reports yesterday on Extinction Rebellion's (XR's) [occupation of a part of Covent Garden](#) to protest about the role of the City of London in creating climate emissions. As a result a couple of journalists called me. I cannot comment for XR, and it is certainly not my job to do so.

What the journalist told me was that they were confused. They got the XR demand that investment in fossil fuel should stop, because it is easy to understand why this should be the case. But, they were concerned that this demand was wrapped up in what they thought to be anti-capitalist rhetoric which they did not think help the XR cause unless it was unwrapped in a way that people could understand and relate to. I stress, they did not appear antagonistic in the way that they were approaching the issue.

If that is the case, although I have no role in XR, except by knowing some of those involved, I think it appropriate to suggest what I think protesters might be saying about capitalism if they want to reach the very large audience who share their concern about climate change.

What XR are correctly highlighting, in my opinion, is the fact that we have for the last 40 years had a form of capitalism that promotes the making of profit above all other considerations when directors manage the affairs of the companies which, very largely, meet our needs for goods and services that are only supplied within commercial marketplaces. I would entirely agree with XR that this priority is wrong.

Saying so, I am not suggesting that profit is, necessarily, a bad thing. If profit is understood in the way that classical and most neoclassical economists thought about it then it is a return to enterprise, which is the human endeavour that is used to create a business. In a very real sense that is a special form of labour.

But, what we actually have seen that is described as profit in recent decades is something that is very different. The neoliberal era has highlighted the making of profit from exploitation.

Initially that exploitation was of labour. So, we saw unions broken. Then we saw

outsourcing, and the suppression of wages as a consequence. After that we have had the gig economy, and so on. The result has been that the share of wages within total national income has fallen significantly. When once that share was well over 60%, it now only just makes up 50% of GDP. The shift of reward from labour to capital has been enormous. No wonder so many people feel that they are not better off despite the supposed growth in the economy. They are right. They have been conned. Their labour has been captured by others who have taken the rewards for themselves.

XR, however, concentrate upon another form of capture. That is the exploitation of the natural resources of the planet to make what is called profit, but which is actually rent.

Most of us are familiar with the idea of rent as a periodic payment to someone who owns an asset, such as a house or building, for its use. This, though, is a very limited understanding of what rent means in economics, although it does provide an insight into the issue of concern.

If the rent referred to is of land, then that part which accrues to the land itself, rather than to its improvement by placing a building upon it, is a description of a pure surplus arising to the owner of that land which they have done nothing to earn, apart from acquiring it is property to which they can claim title. The person making payment for that land is, then, simply paying a reward for scarcity to someone who has done nothing to earn it. Of course, the land gets no share of that return. As a consequence this is an example of what is properly called economic rent.

Economic rent is a payment made for use of resource which is not necessary to incentivise its production. That rent has nothing to do with the production process as a result. It is, instead, a simple return paid because there is no other way to access the resource. The control of access is then, the basis for charging that economic rent.

And that is the basis on which so much of the economy has been organised over the last forty or so years. Resources within ever larger parts of the economy have been made scarce either by restricting ownership to small groups in society or by creating artificial barriers around patents come with copyrights and trademarks, many of which have been located in tax havens. The resulting surpluses have been called profit, but they have actually been economic rent charged to most in society, which is why the labour share of the economy has fallen and most people feel worse off

Simultaneously, labour has had its return reduced by increasing its availability, and by reducing its power to organise. The aim has been to reduce its scarcity.

So, on the basis of this analysis what should XR be saying?

I suggest that the message should not be that it is opposed to capitalism per se. What it should be is that XR opposed to a form of capitalism that is built on the basis of the exploitation of natural resources for the benefit of a few at cost to the many in society

who are at risk as a consequence. And what it wants is that this exploitation be brought to account.

This last point is particularly important if the target for action is the City of London. There is no analysis in existing accounting that shows the amount of profit that a company makes that arises as a consequence of its exploitation of natural resource. We simply do not know what that number is.

Nor do we, come to that, as a consequence know what is a fair reward to those who run these businesses for the entrepreneurial effort that they might expand on its behalf, over and above that part of their payment which is simply due as a wage for their labour expended. Without a record of economic rents it is impossible to know what that true sum should be.

What is more, no one is trying within accounting to find out what this proper split of reward is.

And, as yet, accounting is resisting calls to be accountable for this use of natural resources. The method of climate accounting that the International Financial Reporting Standards Foundation and the Task Force on Climate-related Financial Disclosures are proposing are simply measures of emissions. This data they treat as something of curiosity to be kept outside the financial accounting framework, meaning that it does not impact on profit, or the estimation of economic rent that is implicit within their definition of profit. As a consequence, there is nothing in their accounting methodology that requires a process of change to end this exploitation.

What is not happening is what I am calling for, which is a form of accounting that requires the elimination of carbon and other greenhouse gas production within large companies. This is what [sustainable cost accounting \(SCA\)](#) does.

If we see the reaction to climate change as a four-part process, starting with denial and then moving through the stages of recognition, measurement, and reaction, it is fair to say that the vast majority of the population are beyond the denial stage. Most have now reached the point of recognising that climate change is significant. But few do as yet, [as an FT article yesterday](#) recognised, think that the measurement of climate change is resulting in any meaningful reaction to the issues of concern.

What XR quite reasonably want is that reaction. This is also precisely what is being denied to them, and all the rest of us. In order to keep the system of economic rent extraction in place there is a denial of the need for that reaction, and effort is instead being put into improving the measures of climate change, without recognising the need to respond as a consequence. I suggest that this is a precise and fair definition of exactly where accounting for this issue now is.

So, what could XR ask for? If they took a demand for SCA to the City of London and said

this is what they wanted they would have an argument to sit down at the table with. They would not appear to be anti-capitalist. What they would appear to be would be people with a plan for the private sector is to survive within the economy that we must have if the planet is in turn to continue to support human life.

I am, of course, aware that I am promoting my own ideas here. But then, the last time there were major anti-City protests in 2010 the Occupy movement ended up adopting tax justice demands as its main call, and many of those were based on my work. The reason for that is that I believe in solution focussed demands. In other words, I believe that the best protest is not against something, but is instead ultimately for a better solution to a problem that is widely recognised.

SCA is about the reaction stage of that four-part journey to tackling climate change. It requires that companies change, that rent extraction end and that a world that can survive be created based on businesses that can live within the constraints of this planet. That is why I think it meets needs, including that which XR have if they are to move from the current important negative (stop fossil fuel investment) to the positive (what are we going to do about it?). As ever, I live in hope.