

When people's own savings are now being used to oppress...

2022/06/19/when-peoples-own-savings-are-now-being-used-to-oppress-them-we-need-to-fundamen

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The UK has reached a moment when a decision has to be taken. Partly that is because it has to decide whether to continue to tolerate Johnson and his Tory Party any longer. For the sake of us all I hope that is determined quite soon. Two by-elections this week might help indicate the likelihood of that happening.

That, however, is only part of the issue. Johnson, after all, did not create the whole situation that we are in. He is, instead, in many ways as much both a product and a consequence of that system as anything else. That system is financial neoliberalism.

Financial neoliberalism is not the same as capitalism as it is commonly thought of. After all, Johnson himself happily said 'fuck business' and there is every likelihood that he meant it. Rather, financial neoliberalism is about the exploitative extraction of rents from society by a few without care for the consequences for the many, to whose fate this ideology appears utterly indifferent.

The rents include, of course, payments for the use of land which, in truth, no one can really own but of which we can only ever be stewards. Our system of property rights says otherwise.

The whole banking sector is similarly exploitative. It charges fees for the use of money it creates out of thin air. Yet we grant bankers the right to charge for what they have not earned. There can be no more perfect con-trick than that.

Unless, of course, capturing control of a large company to reward yourself through excessive pay is also brought into account.

Claiming to be entrepreneurial by capturing what should be public income streams for private gain through the processes of outsourcing and privatisation is another popular method of rent extraction.

And the abuse of patents, royalties and copyrights is another such rent extraction mechanism, and is now the basis of much of the wealth in the so-called knowledge

economy. With our monthly subscriptions to many services we have all succumbed to this one in some way, I suspect. It's as if society was set up to let this happen. Which, of course, it has been.

It is no surprise that the returns to labour within the economy have been falling under the financial neoliberal order. Nor is it a surprise that at present the pay of those working in the public interest is being hit hardest by inflation. Many private-sector employers are appreciating that the current inflation requires compensatory pay rises. But in the state sector pay rises are stuck at around 1.5%. Those who do in very many ways have the most productive jobs in the entire economy because they provide the underpinnings that make the rest of what happens possible are being punished with the most severe pay cuts as a result of inflation that has arisen through absolutely no fault of their own. Of course there were demonstrations this weekend as a result. Why wouldn't there be?

The Tories would have it that those demanding those pay rises are public enemies. I disagree. Rail strikes will inconvenience me this week. I actually had two journeys to make, neither of which will now happen. I can live with that. Why? Because what I know is that the decision we have to make now is about who should be rewarded in society. So too are those strikes all about that. And so far this is an issue that almost no one appears to be willing to take on politically. As a result the change that we need is not happening.

All great changes in society are about changing the allocation of resources within it. They result from shifts in power structures. Their consequence is a reallocation of power, income and wealth to reflect the influence of a newly important group in society. They usually happen because of the failure of the old order.

With regard to political power, we know that the existing order has failed. Electoral reform to deliver PR, the end of the House of Lords and the monarchy are all required to deliver the power structures we need.

But financial neoliberalism has failed as well. It glaringly obviously did so in 2008. Since then it has only been maintained with quite staggering volumes of state aid needing to be supplied in the form of the conventional QE, of which it has been by far the biggest beneficiary. The idea that markets work, or allocate resources efficiently, or permit orderly destruction as old ideas reach the end of their lives so that reallocation of capital might take place, have all had to be abandoned since early 2009. The most gigantic operation to prevent the collapse of a wide range of companies deemed too big to fail has taken place since then. Ministers might talk of public services being unaffordable and that change is inevitable, but heaven forbid that anyone suggest that there should be a threat to the financial stability of most companies, let alone whole sectors who might face challenges. From banking in 2009, to big pharma in 2020, to big carbon energy now; all provide the evidence that government largesse knows no limits.

The result is threefold. First, power is entrenched.

Second, downside risk is eliminated: that is for the state to bear.

Third, entitlement throughout the hierarchy of power is reinforced. What is more, the idea that this power might ever end is dismissed as unthinkable. This is now apparent in the Tories' arrogant assumption that power is theirs to hold in perpetuity, but it is replicated in boardrooms where the assumption is that the gravy train will keep running, come what may, including climate change.

The idea that interest rates should rise to reward the owners of capital and protect their interests at present, even though this imposes quite astonishing cost on the rest of the world, is just another display of this arrogance and its disconnect from reality.

The problem for those challenging this power structure is that it has been designed to ensure that financialised and deeply institutionalised wealth lines up behind it through continual processes of aggregation of power in the hands of a few. Again, that is exactly as per the design brief. Pensions funds and other savings structures have all been captured to line up against the best interests of those they are meant to represent. This happens when a pension saver does, for example, invest in the with-profits fund of a pension company, which in turn invests in a range of funds run by other fund managers, which in turn invests in Blackrock, who might actually own shares. How does the pension saver know what they own or what provides them with their pension? They have no chance at present of doing so. And they also lose all power: they might not want it, but Blackrock might vote for them and they have no chance to influence that outcome. The power of the many turns into the power of the few, just as first past the post achieves the same result in politics right now.

So how can we break this system that helps drive the fast-evolving fascism of the Johnsonian state? Strikes are one way to do it. But the other is to break the power of the wealth accumulation that underpins the arrogance of neoliberal capitalism. There is [more than £8 trillion of financial wealth in the UK](#). More than 80% of that is in tax subsidised funds (ISAs and pensions) used by neoliberal capitalism to maintain its hold on wealth and to support the status quo. And none of it is used productively. Almost to the last penny it is used in socially useless ways, from sitting dormant in bank accounts to being the fuel for stock market speculation. This has to change. I am writing separately right now on that issue.

So too does the power of the institution over capitalism have to end. Vast numbers of people who are angry with UK-based companies and the power that they have over our lives own parts of those companies through their pensions or other savings. But as noted, they are never told in which companies they have shares. They never see the accounts of the companies who are supposedly accountable to them. And they never get a vote in those companies, because these pension savers right to vote is claimed by an institution that says it represents them, but most often will vote for actions that are

against their best interests.

My suggestion, in that case, is simple. It is that no financial institution should ever be allowed to vote the shares it holds on behalf of others without asking those members it represents how it should vote. 'No instruction, no vote' should be the rule. And then shareholder votes should be made binding on companies when right now most are advisory at best.

And just in case this shareholder revolution needs some backing, proxy agencies appointed by individual savers to act on their behalf should be allowed to instruct the financial institutions that hold shares for them how vote on behalf of those for whom they act. This would be made possible by the issue of generic instructions by savers to these proxy agencies to do so in particular ways e.g. to cap director pay or to limit fossil fuel use, using that proxy right across a person's portfolio.

Those proxy agencies could be unions. They could be charities. They might be businesses, paid a fee to do this. But the point is, their goal would be to return the power within capitalism to those who own the capital, which is a truly frightening thought for the financial neoliberal.

I am under no illusion about the complexity of all this. In volatile markets who owns what changes often. But my point is very simple. When the claim is still made by auditors, backed by law, that companies are run for shareholders then those who really own the shares in companies - who I would argue to be the real people who provide the funds to buy them - should get the votes and companies must bear the cost of making sure that happens. That is the price of accountability. It is the price of a decent society. It is the price of making sure that people have a voice.

Financialised neoliberalism captures the power of the many and puts it in the hands of the few to ensure exploitation continues. We have to ensure that it becomes otherwise. This is one way to do that. There are others, as I have noted with electoral reform. We also need better savings products. One reform is not going to ever be enough to end the stranglehold of financialised neoliberalism. This idea is a start in that process though. And it's simply about people reclaiming the power their own money should give them which is currently used by others to oppress them.