Funding the Future

Is Britain at the peak of a great financial wave?

https://www.taxresearch.org.uk/Blog/2025/11/25/is-britain-at-the-peak-of-a-great-financial-wave/

Published: January 12, 2026, 8:04 pm

In this podcast, I talk with John Christensen, co-founder of the Tax Justice Network, about whether Britain can escape the final stage of a decades-long inflationary cycle without social and political rupture.

We explore Jersey as an early warning of the “finance curse,” the extraordinary scale of the housing shock, the generational wealth divide engineered by decades of rising house prices, and why younger people are locked out of economic security.

We discuss how government policy helped create the crisis, why zombie banks are now vulnerable to falling asset prices, and what the end of a long inflationary wave has meant throughout history.

We end with the reforms that could save Britain: mass social housebuilding, capital controls, redirected savings, and democratic control of credit creation.

The choice now is stark: reform or rupture.

https://www.youtube.com/watch?v=5-DutvOB3QU?si=GLwp0DUPqQCjXmhL

This is the audio version:

https://www.podbean.com/player-v2/?i=27s4s-19d04b2-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

---

In this podcast, I talked with John Christensen, with whom I co-founded the Tax Justice Network nearly a quarter of a century ago. What follows is a summary of that conversation: not a transcript, but a reflection on the themes we explored.

At heart, our discussion addressed a straightforward question: can Britain navigate the end of a decades-long inflationary wave without suffering the social, financial and political crises that history tells us often accompany such turning points?

Jersey as a microcosm

John began by going back to the late 1980s and early 1990s when he was Director of Jersey's retail and house price indices. Jersey, he argued, was a miniature model of what happens when a financial sector becomes overwhelmingly dominant. As the island's finance industry boomed, prices rose sharply: retail prices ran at twice the rate of the UK, and house prices soared far beyond anything sustainable. That inflation, he said, was not a short-term fluctuation but a long-term wave that warped the structure of the island's economy.

Tourism, agriculture and manufacturing were gradually crushed under the weight of a rising cost base. Finance crowded out everything else. For John, those years were the origin of the "finance curse": the moment when an economy becomes so dependent on financial services that it undermines every other sector, corrodes social relationships and destroys resilience.

The scale of the housing shock

We then turned to the core of the problem: housing. Using long-term Nationwide data, John noted that the average UK house in 1956 — the year of his birth — cost £1,884. By 2025, that figure was £271,000. That is a 144-fold rise in nominal terms. Even allowing for inflation and rising wages, nothing in the productive capacity of the country justifies such a change.

More importantly, the structure of mortgage lending has shifted. In the 1950s, a typical mortgage was three times a single householder's income. Now the average is 6.6 times combined household earnings, and in London it exceeds 11. This is only possible because banks have radically expanded credit creation for property. Two incomes are now required to service debts that once required one. Families have lost freedom and security as a result.

This tightening grip — the ***mort-gage***, the "death pledge", as its etymology reminds us — now stretches not only across working lives but well into people's seventies in some cases. The mortgage that once ended in late middle age has become a lifelong constraint.

The inequality engineered by housing inflation

Housing inflation has not only made home ownership inaccessible to young people; it has reshaped the distribution of wealth and income across society.

Those who bought early — my own generation included — have seen their homes inflate in value far beyond anything they ever paid. That unearned gain has come from somewhere: it has come from the wages that were not paid, from the rents that younger households now hand over each month, and from the public subsidies that flow through housing benefit into landlords' pockets. Britain has created, John argued, a vast system of rent extraction, and it functions only through ever-rising debt.

A growing share of pensioners now also rent privately for life. The benefit system effectively subsidises landlord income.

Meanwhile, the productive economy is starved of investment because building houses generates more predictable returns for banks and investors than making anything.

The social consequences

We are now at the point where, apparently, in 42 out of 47 UK cities, a person on average earnings cannot buy an average home.

In London, Oxford, and Cambridge, people earning above-average incomes cannot buy one either.

Half the income of many private renters goes straight to their landlord.

This is not a marginal inconvenience. It is a central cause of low productivity, low growth and collapsing wellbeing.

When households spend half their income on rent, they cannot spend on anything else: leisure, education, social life, or family formation. A society that cannot afford children is not a society with a future.

How governments helped create the problem

John reminded me that for decades after the Second World War, credit controls limited banks' ability to pump credit into property. Council housing provided a non-speculative alternative. Both these stabilising elements were dismantled in the 1980s and 1990s. Policy then encouraged the "wealth effect": rising house prices were seen as a substitute for rising wages.

That devil's bargain suited governments because it kept voters quiet. It suited banks because their balance sheets depended on ever-rising property values. But it has left younger generations locked out of wealth entirely, and it has left banks dangerously exposed. These are the “zombie banks” of our time: institutions propped up by government guarantees, unable to withstand a fall in asset prices.

A financial system waiting to break

We went on to discuss the likelihood of a correction. Share prices are already falling. Crypto markets are collapsing. Property is likely to follow. John noted that in previous great inflationary waves — four have occurred since the thirteenth century — the final stage brings falling asset prices, falling rents and falling interest rates, followed by long periods of stagnation or deflation. This, he suggested, might be where we are now.

These end-phase collapses have historically coincided with political turmoil: the French Revolution, Napoleonic dictatorship, and decades of conflict across continents. We did not predict that history would necessarily repeat itself, but we agreed that risks on this scale demand immediate political attention, and we are seeing none.

What would reform look like?

Across the conversation, we sketched the outlines of a different approach:

- Massive expansion of council-led housebuilding, delivered through revived direct labour organisations.
- Capital controls to limit speculative financial inflows and outflows
- A national mortgage institution offering long-term fixed-rate mortgages that break the link between bank profits and house price inflation.
- Redirecting tax-relieved savings — pensions and ISAs — into productive social investment, and most especially social housing.
- A national payments platform so that no bank failure can again hold the economy hostage
- Dismantling the privileged role of private banks in money creation, and putting credit creation under democratic control

In short, rebuilding a functional housing system requires the rebuilding of the financial system that sits behind it.

The political danger

We ended by noting that current political parties show little interest in confronting these structural failures. Young people are right to feel abandoned. Without a willingness to act, Britain faces the end of a long inflationary wave without any of the buffers needed to manage its collapse. If we do nothing, the consequences will be catastrophic.

John's final point was stark: we are at the peak of the great wave. The next move is either reform or rupture.

On the eve of Rachel Reeves' 2025 Budget, neither of us was confident that the political imagination needed would be found there. But without it, the future will be far harder than it needs to be.

Comments