Funding the Future

Bastani meets Murphy

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As I noted yesterday, but repeat today since I have more to say now, Novara Media published my 2-hour 14-minute interview with Aaron Bastani yesterday. You can watch it here:

https://www.youtube.com/watch?v=oMhT6qw8KGE?si=qNe5Npe9A72J0tOB

I know a video this long is a lot to watch, but the interview covers a lot of ground and moves at pace. And after all that time, I think Aaron had at least half his questions left at the end.

This is my summary based on the transcript. This was initially AI-generated and was then edited by me. The transcript is 27,000 words.

I recorded a lengthy interview with Aaron Bastani for Novara Media's Downstream programme last Wednesday. This was published yesterday.

It was a wide-ranging conversation, lasting more than two hours, during which we discussed my work, the state of the economy, the crises that might be approaching, and what governments could and should be doing about them.

Aaron began by asking why I describe myself as a political economist when I trained and worked for many years as a chartered accountant. I answered that these disciplines are complementary. Accounting teaches you how organisations actually work, economics asks questions about the future, and political economy asks who has power, how they use it, and whose interests are served as a consequence. Bringing those perspectives together has shaped almost everything I have done.

That led us into a discussion of my involvement in founding the Tax Justice Network, the development of country-by-country reporting, and the campaign against tax haven abuse. I explained how a very small group of people, working with almost no resources, managed to change the international debate on corporate taxation and eventually secure reforms that are now embedded in international tax practice.

The lesson I drew from that experience was important. Successful campaigning requires more than identifying what is wrong. It requires an understanding of how systems work, a clear idea of what should replace them, and a willingness to engage with those who have the power to deliver change. That remains central to my thinking.

The crises that might be coming

Much of our conversation concerned my growing concern that we face a combination of economic, financial, environmental and political risks that could make the next few years exceptionally difficult.

I explained why I think the AI investment boom has many of the characteristics of a financial bubble. The valuations being placed on some companies appear to bear little relationship to their likely future earnings. That does not mean AI has no value. I use it myself, and I can see its potential. But useful technology and a sustainable financial investment are not the same thing.

The danger is that excessive valuations, borrowing by investors, private equity exposure and the increasing integration of financial markets could turn a collapse in AI share prices into a much wider financial crisis. Pension funds, banks, businesses and employment could all be affected.

We discussed the similarities with the 2000 dot.com collapse and the 2008 banking crisis, which I had warned about before it happened. I recalled my involvement in exposing the financial structures used by Northern Rock and other banks, and the extraordinary circumstances in which the British banking system came close to failure.

One of my arguments was that we failed to learn a fundamental lesson from 2008. A functioning payments system is essential national infrastructure. Yet we still depend on commercial banks to provide it, without having created the public infrastructure necessary to guarantee its continued operation if those banks fail.

That is a serious failure of government.

But AI is only one of the risks we face.

We also discussed the war involving Iran, the potential disruption of oil and gas supplies, the vulnerability of global food supply chains, and the growing consequences of climate change. My concern is not simply that any one of these might produce a crisis. It is that several could happen together, with consequences far greater than the

sum of their individual effects.

I cannot predict precisely what will happen in 2027. What I can say is that the risks are substantial, interconnected and insufficiently understood.

Why resilience matters

This led us into a discussion of resilience, which is becoming an increasingly important theme in my work.

For decades, governments and businesses have pursued efficiency, cost reduction and shareholder value at the expense of spare capacity, security and the ability to withstand unexpected events.

We discussed electricity supplies, food security, banking, public infrastructure and the need to maintain systems that can continue functioning when things go wrong.

The point I made was that resilience is not waste. Having the capacity to deal with an emergency is an essential part of providing a service. Indeed, maintaining that capacity can prevent emergencies from happening.

A government that cannot guarantee the essentials of life is failing in one of its most basic responsibilities.

Money, MMT and the role of government

We also spent considerable time discussing modern monetary theory, government spending, taxation, bonds, interest rates and fiscal rules.

I explained why MMT is not a political ideology. It is an explanation of how money works in a modern economy. A government that issues its own currency does not need to collect taxes or borrow money before it can spend. It creates money through spending, while taxation and bond issuance perform other important functions within the economy.

That does not mean government spending is unconstrained. Far from it. The real constraints are the people, skills, resources, energy and productive capacity available to deliver what society needs. Inflation matters precisely because those constraints are real.

We discussed why the conventional obsession with fiscal rules is misplaced, why government bonds provide a valuable savings facility, and why high interest rates can damage the economy rather than solve its problems.

I also argued that Britain needs to move away from an economic model built around financial services and towards one based on investment, productive capacity, energy

security, stronger domestic supply chains and the provision of public services.

That is not simply a matter of spending more money. It is about deciding what sort of economy we want and organising our resources to deliver it.

What is the economy for?

Another important part of our discussion concerned work, productivity and the purpose of economic activity.

I challenged the assumption that maximising financial returns is necessarily the same as maximising economic or social value.

We discussed the possibility of shorter working hours, the importance of care, the potential of small businesses, and the extraordinary amount of human talent that our current economic system fails to use effectively.

My argument was that an economy should be judged by its ability to meet people’s needs and improve their well-being, not simply by the profits it generates for shareholders.

This also raises fundamental questions about how businesses are organised, how investment decisions are made, and what we mean by productivity.

Tax, wealth and inequality

Towards the end of the conversation, Aaron returned to taxation and the growing debate about wealth inequality.

I explained why I do not think an annual wealth tax is necessarily the best answer to the problems created by excessive concentrations of wealth.

There are better ways to tax income and gains arising from wealth, improve tax compliance, address the failures of HM Revenue & Customs to collect tax that is already due, and reform the structures that allow wealth and economic power to become concentrated.

But I also made a wider point.

Tax is not the only instrument available to government. Competition policy, regulation, corporate governance, capital controls and changes to the way companies are required to operate can all help create a fairer economy.

The objective should not simply be to tax inequality after it has arisen. It should be to change the economic arrangements that produce it.

That means challenging the shareholder value model that has become so central to neoliberalism.

The underlying argument

Although we covered an enormous amount of ground, I think there was a consistent theme running through the conversation.

We have created an economic system that prioritises financial returns over social well-being, short-term efficiency over resilience, and the interests of wealth over those of society as a whole.

That system is increasingly vulnerable to crises of its own making, while being poorly equipped to deal with the environmental and geopolitical threats that we also face.

But none of this is inevitable.

My experience with tax justice demonstrates that change is possible. We can understand how systems work, identify why they fail, and develop alternatives that deliver better outcomes.

That requires political imagination, a willingness to challenge established assumptions, and governments prepared to accept responsibility for the well-being of the people they serve.

Aaron and I covered more ground than either of us had anticipated. I enjoyed the discussion, including the occasions when we approached issues from different perspectives.

I hope those who watch or listen will find it thought-provoking.

Above all, I hope it encourages people to recognise that the economy we have is not the only economy we could create. We have choices about our future. The question is whether we are willing to make them.