

Rentier Capitalism and Neoliberalism in the Age of Climate Change

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Introduction

Today, we've been hearing about all sorts of ways to capture the contemporary moment, and by the "contemporary moment," certainly in my case, I am referring not just to the last couple of years, but the last few decades. The way I have chosen is "rentier capitalism," so I would like to begin by explaining what I mean by it, and what I hope to achieve by using it. The first thing to say is that for me it was and still is something very simple, a way of grasping a set of empirical realities over the recent decades. Yet in searching for a way to do that, I failed to find an existing conceptual architecture. By trying to do something very empirical, I came to rely on the concept of "rentier capitalism."

What do we mean by rent?

A discussion of rentier capitalism should start with the idea of rent. Rent gets mobilized, invoked, and thought about in innumerable different ways, so a good place to start are the main conceptual traditions of rent. I do not think I would oversimplify if I said that there are and there have been for quite a long time two main traditions regarding the way we view rent. The first one is what we might call the "mainstream," "orthodox," or "neoclassical" ap-

proach. For economists working in this framework, rent is best described as a form of excess. If we think about the average profit that is obtainable in what we might call broadly competitive markets, then rent is the excess profit that is available by virtue specifically of an absence of competition. Rent is an excess—that's the key word to remember. On the other hand, there is an older tradition that goes back to Ricardo and Marx, which we might call the "heterodox" or "scarcity-based" definition where rent is much more about a form of income that is derivable from the ownership of a particular asset. The classic rent-bearing asset would be land, though land is not the only form of rent-bearing asset. These are the two main traditions regarding the way we think about rent.¹

When I talk about rentier capitalism I do it considering rent mainly within the perspective of the heterodox tradition, where rent is basically the income deriving from the control of scarce assets of one kind or another; however, I don't think that the mainstream view is completely valueless, to use a pertinent word, because the point about competition is an important one. Therefore, I would say that rent can be usefully understood as income derived from the control of a scarce asset specifically under conditions of limited competition. The point regarding the absence of competition is an important one since it is quite possible to think about assets that are scarce and owned in a relatively secure way which might not generate rent given the presence of competition in the form of substitute services or substitute products of one kind or another. Therefore, the point about competition is an important one.² If that is a useful way

¹ For an insightful background on the historical origins and development of these two traditions, see B. Stratford, "Rival Definitions of Economic Rent: Historical Origins and Normative Implications", in *New Political Economy*, 28, no. 3, 2023, pp. 347-362.

² While the heterodox definition of rent did take scarcity, and therefore competition, theoretically into consideration, it lacked – to build on Stratford's argument cited in the previous footnote – "a satisfactory benchmark for measuring rents" since Ricardo's marginal criteria did not consider alternative uses of land which might not reflect rent-free usage (p. 351). Therefore, my inclusion of competition echo's Stratford's conclusion: "If...we understand rentier power to arise from unequal control over assets that are persistently scarce and/or monopolizable, then a rent-free economy would be one with-

of thinking about rent, then a “rentier” is an economic actor for whom rent is the exclusive or predominant form of income, and in turn “rentier capitalism” would be a form of capitalism that is dominated by rent and rentiers to one extent or another. Of course, the question of how one might measure it has always been a very difficult one. The point I make is that in recent decades the UK can be thought of as a quintessential form or modality of rentier capitalism in so far as wherever one looks at the UK economy, one will find streams of income that look very much like rent as I’ve just described it. My approach has been to try to capture the UK economy empirically by thinking about the different sectors of the economy through the prism of rent.

Forms of Rent

Finance, land, and housing immediately come to mind as prototypically rentier sectors, but there are a few others worth mentioning. To begin, there’s the sector including natural resources, oil, and gas. For a very long-time oil and gas have been a very important part of the UK economy, not necessarily a visible one because so much of it occurred offshore, but they had been central to the UK economy since the late 1970s, and they remain central today. It is well known that the conservative government in office³ continues to issue licenses for new oil and gas exploration despite the International Energy Agency and others said three years ago that we cannot have any new oil and gas development if we want to reach various climate targets.⁴ Other prototypically rentier sectors of the economy are intellectual property – particularly in the pharmaceutical sector but also in the creative industries and others – as well as infrastruc-

out such assets, or (more realistically) where control over them is equitably distributed so it no longer provides systematic advantage to one class or individual” (p. 359). See also B. Christophers, “The Rentierization of the United Kingdom Economy”, in *Environment and Planning A*, 55(6), 2019, p. 1442.

³ Note that this paper was originally presented as a talk on May 2, 2024.

⁴ <https://www.iea.org/reports/net-zero-by-2050>.

tures. The United Kingdom has significantly advanced the privatization of essential infrastructures, encompassing utilities such as water, wastewater, electricity, and gas. These services are now predominantly managed by various private infrastructure entities, including major asset management firms. Last but not least, digital platforms, the rentier sector that has received much attention from Yanis Varoufakis and Cédric Durand who used the concept of “techno feudalism.”⁵ With these sectors in mind, I will now make a couple points about rentier capitalism.

Rent: Degree Over Kind

The first thing to say is that “rentier capitalism” is not fundamentally different from what has come before. The contemporary form of rentier capitalism did not displace an explicitly non-rentier form of capitalism. Furthermore, what we have now is not a form of post-capitalism. The argument is one of degree rather than kind. Instead, it’s useful to think about rentier capitalism as the intensification of certain dynamics and structures that are an integral part of capitalism in all its historical and geographical varieties, which is to say that rent has always been and always will be an integral part of capitalism. However, those rentier elements and dimensions have become much more pronounced in recent decades for a set of reasons that we can think about and debate. Therefore, it is not rentier capitalism versus non-rentier capitalism. Rent is integral to capitalism, but the rentier dimension has become much more pronounced in recent decades.⁶

⁵ “I think to a significant extent what they’re talking about is the same thing as me, but with a focus on a narrower part of the economy and using a different terminology”. Y. Varoufakis, *Techno Feudalism: What Killed Capitalism*, Melville House, 2024; C. Durand, *How Silicon Valley Unleashed Techno-Feudalism: The Making of the Digital Economy*, Verso Books, 2024.

⁶ It is an argument which is not entirely dissimilar from the argument that Piketty makes in his famous book, although obviously using very different language. T. Piketty, *Capital in the Twenty-First Century*, Harvard University Press, 2014.

Stagnation and Inequality

I now turn to the political-economic consequences with the UK in mind, though arguably this analysis applies more broadly; in recent decades, the first consequence of the intensification of the rentier element of capitalism has been growing inequality. It would be difficult to convincingly explain the recent growth in inequality, both income and wealth, in the UK without reference to the transformations and dynamics of rent and rentierization. On the income inequality side, the sectors dominated by rent, as described above, are typically oligopolistic or monopolistic by their very nature. In them, we tend to see very high levels of concentration and very limited labour negotiating power, which means a restricted labour income share. In terms of wealth inequality, Piketty is useful. Piketty's entire argument about wealth inequality is arguably about rent. In his famous R over G formula, R is essentially rent. R is the return on the various kinds of assets that I've been talking about. If R is greater than G , where G is the rate of economic growth, we will see an increasing wealth inequality. The UK, in a sense, has been the perfect laboratory for testing that formula during the recent decades.

Inequality is associated with reduced productivity. In a rentier economy, where capitalists are disproportionately focused on increasing the financial return of their assets rather than raising labour productivity, the latter declines. What the UK has seen in recent years is precisely what one might expect. Alongside that, the kind of stagnation the UK economy has essentially become accustomed to over the past two or three decades, but particularly in the last two decades, again, is precisely what one would expect in an economy in which rentiers dominate and where they are focused much more on "sweating" and extending the lifetime of existing rent-bearing assets rather than innovating in view of increasing labour productivity and the like. The visible outcomes in the UK economy – in terms of productivity declines, stagnation, and growing inequality – are exactly what one might theoretically expect in an economy dominated by rent.

Now some would argue that stagnation was already systemic by the 1970s, and therefore to talk about rentier capitalism and the growth of rent and rentiers as being the source of stagnation is to get the relationship between the chicken and the egg the wrong way around. From this perspective, the turn to rent, rentiers, i.e. rentier capitalism, was the result rather than the cause of economic stagnation. But these two arguments are not necessarily incompatible. One could very well argue that stagnation leads to a transformation of the economy, which in turn reinforces stagnation. I don't have a view on that point, but it is a point worth making. There are untold arguments about falling rates of profit and over accumulation and so on where people do make those arguments. Personally, I've never been entirely convinced by those arguments neither conceptually nor empirically. I tend to prefer arguments that view events of the 70s, and the turn towards rent as a result of growing international competition and declining labour shares rather than falling rates of profits. In any case, the argument is there.

The Four Dimensions of Neoliberalism

The other prominent concept invoked to capture the political-economic essence resulting from stagnation in the global North in the 60s and 70s is, of course, neoliberalism. For me, rentier capitalism is absolutely not a frame representing an alternative to neoliberalism but, I see them as complementary. Neoliberalism can be thought of as a kind of soil where rentier capitalism germinates, a sort of assemblage of policies, ideologies, and practices – policies in particular – that enabled the intensification of rent. The rise of what we have come to know as neoliberalism created the conditions for the fortune of rentiers, and I see neoliberalism as having four main dimensions that have enabled this intensification of rent.⁷

⁷ Citation to Desai's talk: "Actually when Radhika (Desai) was talking earlier I think there's a lot of overlap between what she was positing there in terms of what the essence of neoliberalism actually is and what I want to talk about".

The first is simply privatization. Once again I'm mostly focusing on the case of the UK because privatization has gone very far in the UK; nevertheless, if lots of assets are privatized –especially if they are scarce or easily “monopolizable” – then there are more assets on which private sector actors are able to generate rents, all other things being equal. The UK is a classic case. Since the beginning of the 1980s there has been a mass privatization of land and housing, a mass privatization of utility infrastructures of various kinds, and also a mass privatization of natural resources. In the 1970s, British Petroleum (BP) was in large part a public sector organization. Privatization is arguably the central part of the story. Neoliberalism gave the rentier the possibility to flourish.

The second dimension is the strengthening and extension of various forms of private property. Ownership of economic assets of various kinds is a start, but without strong rights on those assets, the ability to securely extract rent from them is likely to be impaired. Looking at intellectual property, for example, throughout the 80s, 90s, and 2000s, indeed up to today, we have seen a massive strengthening and extension of private property rights on intellectual property. The ability of the owners of those properties to extract income by virtue of ownership has been reinforced because the rights to it, not least the rights in terms of the ability to resist antitrust intervention as well as the extension of those rights to new forms of intellectual property, alongside the availability of more enforcement tools, have massively enabled that. The strengthening and extension of private property rights is a second dimension.

The third dimension, a point on which Piketty has focused his attention, is taxation. For Piketty, a large part of the story, and the reason why R has become greater than G , rests upon the increasingly friendly global taxation policies vis a vis wealth and assets. The general dampening of capital gains tax, as well as specific taxation policies in the sectors of oil and gas, pharmaceutical products and the creative industries have enabled owners of the relevant assets to extract income to a much greater degree than they otherwise would have been able to. And of course, taxation policy significantly en-

courages individuals and institutions to get into the rentier business in the first place. For example, one would not buy a residential property to let if that income were to be onerously taxed. Taxation policy both shapes and impacts the extractability of rent. Therefore, favourable taxation is the third dimension.

The fourth dimension includes policies that are conducive to asset price inflation and that we have consistently seen over recent decades. The quantitative easing of the 2010s was a classic example of that, and even though quantitative easing is now part of history, global asset markets are nonetheless scaling to an all-time high. We simply have a distinct set of interventions that have continued to reinforce asset price inflation. This, too, is obviously a rentier friendly story. In the light of the current connection between neoliberalism and these consequences, this appears to be the right time to reconsider the question of rentier capitalism.

More of the Same

At this point, I would like to put aside the past and have a speculative look at the future. In the last couple of years many different commentators as well as some policy makers, have pronounced the death of neoliberalism. Though people have been doing that for a long time, particularly around the financial crisis when it was much more speculative, today the confidence of people in making that claim appears to have increased. For the last couple of years Adam Tooze and others have been very forceful in saying, “now we have entered a new scheme of things.”

First of all, what has led commentators in the last couple of years to make those pronouncements? If there's one main reason which has led people to that conclusion, in my opinion this is primarily the revival of the US industrial policy: the renewed willingness of the US government to actively and willingly engage in industrial policy in a way that has not occurred in the US or in large parts of Western Europe for a long time. There have been famous speeches demon-

strating this admission. For example, Jake Sullivan gave a speech about how the US were essentially wrong to rely upon market mechanisms to allocate resources as they had done.⁸ Statements like this have become very symbolic moments for those who have said that we have entered this new scheme of things – i.e. Bidenomics, the move away from markets, just to name a few. I find this interesting because, in my book on rentier capitalism, I identified the potential revival of industrial policy as one possible axis of intervention. I wouldn't say industrial policy is necessarily anti-rentier, but it is one potential way in which policy makers could intervene to move an economy that has become dominated by rent and rentiers in a different direction. Specifically, I argued that steering investment away from rentier type activities was one potential way to stem rentier dominance.

The other way I mentioned was active antitrust. The period going from the 1980s until very recent times, particularly but not only in the US, has been characterized by the steady defanging of antitrust law, under the influence of those who operated in the hallowed halls of the University of Chicago as much as anywhere else, such as Robert Bork and the likes. And again, as it was the case of the industrial policy, especially in the US there has been a move back to a more interventionist antitrust policy under the guise of the Federal Trade Commission. Many people are against that view, but I think that much is happening in that direction under Lina Khan, which is something that I pointed to in the book. Given those two elements, one would think I would be sympathetic to the arguments according to which what we are seeing is a move in a new direction, but what I want to do now is push back and look at the so-called *cause célèbre* of those that have been making arguments in this direction. The Inflation Reduction Act, which came into force eighteen

⁸ See *Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution*, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>.

months ago, is a good starting point. The Inflation Reduction Act was supposed to be the support mechanism for investments in renewable energy in the US – solar and wind, batteries, and other forms of renewable energy infrastructure – but if we look at what is actually happening with the Inflation Reduction Act and in particular, at the relation to the centrepiece, the renewables credits, it potentially gives us grounds to reflect. I want to now point to three features.

The first is core assets. The core assets that the Inflation Reduction Act serves to subsidize are classic rent generating assets. Solar and wind assets are nothing but rent generating assets. Once installed, the amount of labour power required to maintain operation is very limited, which of course complicates arguments that the Green New Deal is a labour generating instrument.⁹ These are classic rent generating assets, which is precisely why some of the leading owners and investors in those sectors are asset managers, classic rentier institutions. If one drives around the Swedish or Norwegian countryside and ends up close to a wind farm in the middle of nowhere, the odds are very good that BlackRock or Brookfield are the owners of that wind farm. These are rent generating assets.

The second thing to say is that the Inflation Reduction Act is just a set of subsidies to private capital, a series of provisions to private rentier capital. There are provisions in the Inflation Reduction Act enabling public sector actors to invest in renewable energy assets, the so-called direct pay provisions, but the initial evidence, at least, is that there are very few instances of that occurring, and I think there are very good reasons for that. At the end of the day, the Inflation Reduction Act will end up subsidizing a type of investment in renewable energy that is almost entirely private, made by private rentiers, rather than public sector investments.

The third feature, which goes back to my comments on the neoliberal crutches to rentier capitalism, is the mechanism of taxation.

⁹ “It’s a bit of the elephant in the room – the labour implications of the shift to renewable energy”.

These are tax credits, tax subsidies of precisely the same type that have been used in very different sectors to subsidize rentier capital over recent decades. Looking at the details of the Inflation Reduction Act, it seems to me that this comes straightly out of the playbook of rentier capitalism and its neoliberal underpinnings. I do not see anything substantially different from the general trend of recent decades.

Climate Crisis as Infrastructure Crisis

I now want to extend this thesis to the more general climate crisis. A macroeconomic phenomenon—needless to say that it is obviously so much more than that—, the climate crisis is in large measure an infrastructure crisis. The climate crisis, from this perspective, is a crisis of infrastructure investment. Both climate mitigation and adaptation, but particularly mitigation, are issues of investments in infrastructure of various kinds. Taking the Inflation Reduction Act as a representative example, though I think this applies to the Western World at large,¹⁰ there has been no change in the *modus operandi* of infrastructure investors, and nothing has changed in the way these activities are thought, planned, and modelled.

We live in a world of intensified fiscal discipline and fiscal conservatism. The idea, which briefly blossomed with the very early Green New Deal ideas, with Sanders on this side of the Atlantic and the Corbyn team on the other, according to which we might see substantial public investment in the energy sector as well as in other infrastructures, has long gone in the light of fiscal conservatism. The *modus operandi* today is precisely what it has been for the last 30 or 40 years: the state invests purely in subsidizing or de-risking private investments in infrastructure rather than investing in revenue generating assets that are owned by the public sector itself. And, in re-

¹⁰ “China I think is the big exception to this which is worth thinking about and talking about”.

lation to the fourth dimension of neoliberalism mentioned above, it's striking that those mechanisms of de-risking private infrastructure investments are a substantial part of the current set of policies that are conducive to asset price inflation around the world. De-risking private sector infrastructure investments is, again, a form of classic rentier capitalism. The same argument can be made about the other great kind of investment crisis of today, that is the housing crisis. And the story is the same. The extent to which public funds are going into the necessary investment in housing infrastructure are almost entirely about subsidizing and de-risking private sector investment, again in large part but not only by asset managers, rather than public housing.

To conclude, if we think about contemporary developments in terms of rentier capitalism – again with the focus on but not only – the Inflation Reduction Act seen as a kind of *cause célèbre* by those who argue that something fundamentally has changed, I have the impression – and this is where I think Radhika was going but didn't have the time to actually get there – that neoliberalism is dying, or has died only if we take an incredibly narrow reading of what neoliberalism is and was. If we think that neoliberalism consisted entirely of the reification of market mechanisms, then the shift towards a more interventionist industrial policy might prefigure a significant shift; but if we think about everything else that surely was and is central to what we've come to think of as neoliberalism, then it's very difficult to see that anything really significant has changed. Neoliberalism has always been much more than the elevation of market mechanisms. I think that the dominance of intellectual historians within the debate about neoliberalism has unduly increased the emphasis on market mechanisms, but it has always been much more than that. It seems to me that what is referred to as Bidenomics, is much closer to more of the same than to something substantially different. I could be completely wrong about that, but based on my work on rentier capitalism, that's not my feeling.