

The overthrow of unjust wealth is possible

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The Guardian [reported](#) the emergence of a new 'gilded age' yesterday as the concentration of the world's wealth in the hands of a relatively few families reached levels not seen since the era before the First World War.

The report on which they base their story offers a number of explanations for this new concentration of wealth, which is as likely to lead to a significant social backlash as the last, saying:

Billionaires' fortunes increased by 17% on average last year due to the strong performance of their companies and investments, particularly in technology and commodities. The billionaires' average return was double that achieved by the world's stock markets and far more than the average interest rates of just 0.35% offered by UK instant-access high street bank accounts.

What the report does not say is that the reasons for this astonishing growth can be explained in four ways.

First, most of the wealth is not taxed. That's because we do not have wealth taxes; capital gains taxes can be avoided by simply holding on to assets and wealthy families long ago found how to get round inheritance tax laws. All this happens with willing political connivance onshore.

Then there is, of course, offshore, which exists in no small part to serve the interests of such families, alongside its role in crime facilitation. The so-called 'tax neutrality' of offshore is a euphemism that means 'no tax' in practice. And if you are wealthy, with assets rising in value, no tax just compounds that growth in ways that guarantee an increase in inequality when compared to the position of the vast majority of the world's population.

Third, there are trusts, and in particular offshore trusts, to take into account. As Copenhagen Business School academic Brooke Harrington has pointed out, the changes in offshore trust laws over the last twenty or so years have had a profound impact on

the wealth management industry. In effect, that wealth is not dispersed any more. Passed over to professional trustees for safe keeping a combination of the collective paranoia of those establishing such trusts and those managing them means that access to the capital of these families is now denied to next generations, who to secure the funding they want for their gilded lifestyles are beholden to the wishes of both the older generations of their family and the peculiarities of professional trustees dedicated to wealth preservation at all costs, including to those meant to benefit from it. As a consequence these next generations become dependent, compliant, individuals unable to exercise normal mature judgements on their own behalf because their position in the world is entirely dependent on their not doing so.

Fourth, there is, of course, the whole issue of the companies that these families own. In the modern era these are not looking for entrepreneurial profit: their aim is to secure rents generated off the back of the endeavour of others. This is now the very clear direction of the IT, and so gig, economies, where monopoly power in a sector is used to squeeze out competition, crush innovation and exploit casualised labour (until it can be replaced) in pursuit of monopoly profit. Other sectors follow suit, pursuing rents in the form of land, PFI contracts, outsourced government services and the like, hidden behind the power of intellectual property laws, all with the aim of securing the preservation of wealth by ring-fencing it from any risk of assault from newcomer market entrants.

And, as I argue in my book *Dirty Secrets*, this is the reason why this gilded era cannot last. That's because what it represents is an assault on three things. One, of course, is the state that is denied revenue from, and is in turn exploited by, this wealth. The second is the ordinary people left behind, and who are aware of that fact. The third is capitalism itself, because the last thing that these families are is entrepreneurial. Their role is not innovative wealth creation. It is defensive wealth protection, and the latter has to crush competition, which is precisely why we now see zero wage growth.

We may be living in a new gilded era. And those few enjoying the benefits may be trying philanthropy to persuade the world of the merits of their retaining their position. But the truth is that the seeds of the destruction of this system have been created within its own foundations (double meaning intended). An assault on this wealth and the barriers it creates to innovation, equality and possibility is inevitable. It will be a revolution, but I stress, bloodshed is not needed. Nor are weapons stronger than a good dose of wealth taxation and a willingness to reject the shams of offshore trust arrangements required, coupled with some decent anti-monopoly legislation. All are available with just a little more political will.

Surely the left is capable of delivering that?