Bankers, art and tax paranoia driven Ponzi schemes

Published: January 13, 2026, 10:23 am

According to the FT:

The typical qualifications of a private banker might be a degree in maths or economics and several years' experience managing money. These days, though, a degree in fine art and several years' experience curating art collections could be just as useful.

The world's wealthy are flocking to auction houses, dealers and art fairs in ever greater numbers – with global sales up 12 per cent in 2017 compared to the previous year, according to a survey of high net worth individuals by investment bank UBS and consultancy Art Economics – and demanding their private bankers know how to help them appraise, manage and use their collections to finance their lifestyles.

The story then carries on in the same (for the FT) slightly breathless style without ever getting near the actual story of why this trend is happening, which I know about because of Copenhagen Business School researcher Dr OddnÃ½ HelgadÃ³ttir. As her work has highlighted, there may well be profoundly more cynical reasons for the wealthy's interest in art.

The evidence it is that the vast majority of this art does not end up being displayed on the walls of a home, gallery, office, or anywhere else. Most of it is stored in the vaults of one of the art warehouses in the free ports of the world. The largest of these warehouse facilities, by far, are in Geneva. There, with each work of art likely to be owned by an individual offshore company, in turn probably owned by an individual offshore trust, the art serves a very particular purpose. Untraceable, and beyond the reach of automatic information exchange for taxation purposes because no income is earned from it, the asset sits outside the scope of international wealth taxation, and beyond the claim, therefore, of tax authorities, creditors, spouses, and all the other usual claimants on their lives of whom the wealthy live in perpetual fear.

What is more, this art market, pumped by a continual stream of new clients created by finance houses seeking to advise clients to join the trend, creates not just another asset bubble, but in fact an alternative currency as a mechanism for transferring value. The fact that art can also be stored in tax-free warehouse locations, beyond the reach of even local tax authorities with regard to any form of taxation in the state where it physically resides, just adds to this appeal. Who needs bitcoin to achieve anonymity when a Picasso in a warehouse achieves the same goal without all the risks that cryptocurrency entails?

It would be tempting to believe that the booming art market is just a sign of what Veblen called conspicuous consumption. A little bit of it may be that. But, please forgive my cynicism, because I don't think most of those who buy this art are doing so for such reasons. Nor are their bankers advising them on the artistic qualities of the works that are being acquired. What they are engaged in is systemic tax planning, assisted by a number of the usual suspects states who are seeking (one has to say, yet again) to increase the wealth differential between a tiny elite and everyone else by hiding the world's works of art from view in tax-free locations where they become alternative economic stores of value just so long as the bankers can keep pumping more clients into this sector.

I make the last point with good reason: this is a Ponzi scheme. For once, I'm really looking forward to it failing.