

Funding the Future

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This video is the fourth in our series on wealth — and the second asking a crucial question: Why are the wealthy wealthy? In this episode, I expose the uncomfortable truth: extreme wealth in Britain has not been built on innovation or hard work, but on exploitation. Of land. Of people. Of law. Of monopolies. Of resources. It's time we faced how the 1% really got rich — and what we need to do about it.

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This is the transcript:

This is the fourth in our series on wealth, and the second on why are the wealthy so wealthy?

We dealt with this in video three with regard to the ordinarily wealthy, those who have between, say, £3 and maybe £10 million of personal wealth in the UK. But in this video, we're going to look at those who've got exceptional wealth - wealth of above, say £10 million, and what is it that made them so exceptionally wealthy? And I'll give you a spoiler now. There's one word that summarises everything that I'm going to say in this video, and that is exploitation.

The 1% did not get wealthy through a lot of innovation or hard work. They might want you to think that, but that's not true.

What it comes down to is that they became wealthy because they got control over people, or land, or assets, or laws, and they exploited them to their own advantage. This is how the very wealthy got wealthy.

There are a number of ways in which this happened, and I'm going to work my way through them, and I'm going to start, if you like, quite near the beginning because we're going to talk about land and the fact that the control of land has become one of the major sources of wealth.

You can see that. The royal family is rich because it controls land. There's the Duchy of Cornwall, there's the Duchy of Lancaster, and all the other various properties that they own. And there are other families in similar situations; the Duke of Westminster and his family, and so on. And all of this is based upon feudal wealth; the ability of some in society to literally enclose land and to either force people off that land or to charge them for the right to be there.

Now, of course, things have changed a little bit since feudal time but people still get rent demands month in, month out, in the UK, and it is that exploitation of land which has provided some with quite extraordinary wealth in the UK.

Then let's move on from the exploitation of land and talk about the exploitation of people, because next there was slavery. And let's be clear about it. Slavery was the foundation for the wealth of some of the wealthiest people in the UK, and it has become intensely unpopular to say this, but the National Trust has acknowledged the fact because it was the foundation for the wealth of so many of the properties that they have ended up owning, and they're right to do so, because the exploitation of the slave trade made many people wealthy and some of those families still are in that position.

What is more, even when slaves were freed, and by and large that was happening in the UK by the 1830s, the state actually paid people to free their slaves. So, not only did people become rich because they owned slaves, but in the 1830s, there was something called the Slavery Abolition Act in the UK, and it paid wealthy slave owners £20 million to compensate them for the loss of slave ownership.

The slaves themselves weren't compensated for the fact that they had been enslaved. That didn't occur to people to do that in 1833. It was the interests of the wealthy that mattered. Well, £20 million then was a staggering amount of money, and it was of course recycled into the economy, and it became the basis of railway wealth and all sorts of other forms of investment wealth that followed. But the fact is that the perpetuation of wealth from slavery has carried on, and it was assisted by the UK government.

And then there was the legacy of empire or colonialism, so that when slaves were made free, what we did instead was exploit the countries that they came from. We declared them to be part of the British Empire, and we literally took their wealth.

This was the way in which so many wealthy families in the Victorian era consolidated their wealth. The younger sons of many of those families were sent to the colonies to actually run the interests that they had in those places, which money was extracted and then returned to the UK. We fleeced the world, and we've never paid compensation for that. The result is we still have very many people who owe their wealth to the extraction of wealth from Africa and the other colonies that the UK had around the world.

When we talk about extraction, there's another form of extraction that took place as well, and that was mineral extraction.

This took place in our colonies, but it also took place right here in the UK.

Things like gold and silver, of course, came from overseas, but iron, timber and coal all happened in this country, as now have oil and gas, and all of these things have been exploited to make the wealthy wealthier.

The right to exploit in this way is, of course, associated with the right to land, and we now have the absurd situation where, for example, the royal family own the seabed off the UK and therefore make money out of oil and gas as a consequence without having to do anything to earn an income as a result. But this has always been the case. Wealth has arisen because of the control and ability to charge that it has afforded to those who are trying to extract the resources that we have needed to deliver the industrial revolution and to create the lifestyle we now have. The environment has paid the price. The people who've been exploited in the course of the extraction of those minerals have paid the price, but the wealthy have accumulated wealth.

And then there are monopoly profits. Monopoly profits started as a means of royal favouritism. There are charters going back to the 11th and 12th centuries in the UK, which granted, for example, the right to control salt in certain areas, and this is typical of what was going on. Something that was essential to life effectively had a monopoly granted over it so that an undue price could be charged for the product in question, and as a consequence, profit could be extracted from, let's be blunt about this, ordinary people.

And we saw this idea expand. The East India Company was a form of colonial exploitation, but also monopoly profit exploitation.

And then we saw the canals and railways, and now privatised utilities. There is a long history of the extraction of monopoly profits in this country, and it's been aided and abetted by our laws. Patents, trademarks, and copyrights have all been extended long

beyond their natural lives so that those who own them can continue to exploit them to earn money long after the real economic benefit of the invention has passed. This is all about trying to extract profit.

And let's not let others off as well. There has been a history of extraction of profits by our professions as well. Doctors, accountants, lawyers, and others - all have joined together to form what are, in effect, guilds, in medieval terminology, but in the current expression, are professions. And they are designed to extract excess profits from ordinary people by removing the right of competition to them. They claim they do so because they will, as a result, increase the value of the supply that they make at a higher quality. But there's some evidence to doubt that these days. This might just be another method of extracting monopoly profit.

And when we're talking about extracting monopoly profit, few have done it better than banking. Banking, of course, lends money which it creates out of thin air. There can be no better model for generating monopoly profit than that. Literally, making money out of money is something that was condemned by religions or wisdom traditions for centuries, even millennia.

It became heavily regulated in the UK, and in 1844, whilst the Bank of England took back control of what is called seignorage - the right to make money out of creating the state currency - it permitted, from then on, the right of private banks to do this at cost to their customers.

And now this is being exploited by the tech industry because what we are now seeing is the tech industry exploiting us, first of all by extracting monopoly profit because quite clearly that is what companies like Apple and Microsoft and so on do because they provide us with very little option or choice about who we go to buy from, but secondly, they're trying to do so out of crypto and other forms of currency management, which are coming our way. This is the way in which they think huge fortunes can be made.

And indeed, this has been backed by politicians in the UK for a long time. In the 1980s, we had the Big Bang put forward by Margaret Thatcher, who thought that the City of London was the foundation for wealth. And this has had massive consequences for wealth distribution in the UK because what she really did was allow banks, and now tech, and others, to exploit us to let a few accumulate wealth.

This is how the wealthy have become wealthy.

We've seen it replicated further down the scale quite clearly. Those who can get access to housing wealth have seen their wealth rise faster than those who can't. Many small businesses do actually extract profit by working off the backs of their underpaid staff. And so there are small-scale versions of this, which do generate wealth as well.

But let's be clear. The problem is at the high end of the order. There is a massive

problem in our society with the accumulation of wealth, not as a result of innovation or enterprise, or even skills, as I noted at the beginning, but instead by extraction from exploiting the privilege to control either people, or land, or mineral rights, or property, or the right to make law, which of course has been a continual problem because the wealthy try to demand that laws be made for their benefit.

There is almost nothing about wealth creation that measures a genuine contribution to society in the case of those who now own it. It is important to note that. We must see very honestly how wealth was created because if we don't understand that, we don't understand how to manage the consequences of that wealth and the vast majority of how wealth has been extracted from people by exploitation. And that matters when we come to address the consequences of wealth, which we will be doing as this series progresses.