

The triple lock we need

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This [question was asked](#) by someone called Steve on this blog asly night:

*How about a “triple lock” on wealth to help stop it’s current explosion at the very top?
What would each of the three locks be?*

I assured him that I would think about this. What follows might be considered an expanded comment response, but not a full-blown treatment of the issue.

I think a triple lock on excessive wealth is an idea worth developing. The objective would not be to stop people becoming wealthy, but to prevent the concentration of wealth becoming so extreme that it undermines economic fairness, social mobility and democracy itself.

I would suggest three locks, each addressing a different way in which wealth accumulates and perpetuates itself.

The first would be a tax lock.

Income from wealth should never be taxed more favourably than income from work. Currently, the tax system usually rewards those who already own assets more generously than those who earn their living by working.

Capital gains should be taxed at rates equivalent to income tax. Dividends and other investment income should face appropriate national insurance-equivalent charges. There should also be a serious review of the reliefs and exemptions that disproportionately benefit the wealthiest.

The principle is straightforward. A pound received because someone owns wealth should not be taxed less than a pound earned by someone who works.

This would reduce the rate at which the wealthiest accumulate additional financial claims over the resources created by everyone else.

For more details and ideas, see my [Taxing Wealth Report](#).

The second would be an inheritance lock.

The ability to pass enormous fortunes from one generation to another, often with substantial tax advantages, is one of the principal mechanisms by which economic inequality becomes permanent.

I would reform inheritance taxation to ensure that substantial transfers of wealth, whether made during life or on death, were properly recorded and taxed. That would require closing the loopholes associated with trusts, lifetime gifts and preferential reliefs, whilst protecting reasonable transfers between ordinary family members.

The aim would not be to punish people for providing for their children. It would be to prevent the creation of a hereditary economic elite whose advantages have little or nothing to do with their own contribution to society.

No democracy should be comfortable with the idea that economic power can be inherited almost without limit.

Is this possible? Yes, of course it is, but I admit I have not written how to do so yet.

The third would be a power lock.

This lock might be the most important of all.

Wealth does not accumulate simply because people save. It also accumulates because those who already possess substantial assets can use their ownership to extract income from the rest of society.

That happens through the creation of monopoly profits, the charging of excessive rents, harmful financial speculation, control of essential infrastructure, the exploitation of intellectual property rights and the ability to influence government policy, which reinforces all the others and may be the most damaging trait of all.

We need much stronger competition policy, effective regulation of rents and monopolies, tighter controls over speculative financial activity, and public ownership where essential services are natural monopolies.

We also need to prevent concentrated wealth being translated into disproportionate political influence through donations, lobbying and control of the media.

The point is that the ownership of wealth should not provide an unlimited right to

extract income from other people's work, or to dictate the rules under which the economy operates.

The three locks would work together.

The tax lock would limit the accumulation of new wealth through preferential tax treatment.

The inheritance lock would prevent existing concentrations of wealth from being perpetuated indefinitely across generations.

The power lock would tackle the economic and political structures that let wealth generate even more wealth, regardless of any corresponding contribution to society.

None of this requires the government to raise taxes because it needs the money to spend. That is not how government finance works.

The purpose would instead be to reduce inequality, limit the concentration of economic power, prevent excessive claims on society's resources, and create conditions where everyone has a fairer opportunity to thrive.

That is why I think a triple lock on wealth could be a powerful idea. It would recognise that excessive concentrations of wealth are not simply an unfortunate consequence of the economic system. They are the result of political choices, and we can make different ones.

When we discuss triple locks in this country, this is one we do need.