

Wealth inequality and growth in the UK

Understanding how wealth inequality affects economic growth, and potential policy responses

Background

Economic growth is a political priority for the UK Government. As **Treasury Minister Torsten Bell MP** argued in his book [*Great Britain?*](#), the UK's economy is characterised by a toxic combination of stagnant growth and high levels of economic inequality. The richest 10% own over half of the nation's wealth, and soaring asset prices increased the size of the [absolute wealth gap](#) between the richest and poorest 10% by 54% between 2011 and 2021, from £7.5 trillion to £11.5 trillion.

Are these two issues causally linked? Increasing numbers of economists are questioning the orthodox view that economic inequality is a necessary side-effect of (or precondition to) economic growth. From obstructing the supply of talent, ideas and capital, and distorting consumer demand, to undermining competition and subverting public investment, an emerging evidence base suggests that inequality can hinder growth and prosperity. With that said, the evidence base about the links between inequality (of wealth, in particular) and economic growth remains contested, in part because of a lack of clarity about what aspects or impacts of wealth inequality are being considered, and in relationship to which elements (or [theory](#)) of growth.

The [Campaign for Social Science](#) (part of the [Academy of Social Sciences](#)) and the [Fairness Foundation](#) convened an invitation-only expert roundtable on 11 July 2025 to discuss the evidence base for the relationship between wealth inequality and economic growth in the UK, and to consider the most effective policy responses. This short policy briefing summarises the evidence base and the discussion at the roundtable.

Discussion at the roundtable

At our expert roundtable in July 2025, we heard from **Liam Byrne MP (Chair of the Commons Business & Trade Committee)**, **Mike Brewer (Deputy Chief Executive at the Resolution Foundation)**, **Professor Ashwin Kumar (Director of Research and Policy at the Institute for Public Policy Research)**, and **Vicky Pryce (Chief Economic Adviser at the Centre for Economics and Business Research)**. Key points from our speakers included that the richest 1% have gained disproportionately from the hundredfold increase in net household wealth since 1970, driven by quantitative easing, to the point where this group are seen as holding more power than government; that while it is hard to neatly distinguish between the impacts of wealth inequality and income inequality, control over resources can be a useful analytical lens; that there is plenty of Organisation for Economic Co-operation and Development (OECD) and International Monetary Fund (IMF) evidence for how inequality undermines economic growth and increases both economic and political instability; and that an 'industrial strategy for growth' must look to build up asset ownership across society as well as raising wages.

A range of potential policy responses were discussed by participants, including reforming existing taxes on wealth and introducing new ones, investing in universal basic services, expanding community wealth building, strengthening workers' bargaining power, and adapting approaches from overseas like the Danish flexicurity model, Germany's constitutional commitment to equal living standards, and Singapore's public housing policy.

The discussion also highlighted how the absence of detailed and reliable data is an obstacle to effective policymaking. For example, we lack detailed regional and local breakdowns of wealth stocks and flows, and information about assets owned by the very richest in society. We also need more detailed causal evidence about how, for example, policy capture by the very wealthy affects economic growth both directly and indirectly (such as by undermining political decision making), and about how wealth inequality incentivises hoarding profits over reinvesting them in productive capacity. And we need more robust evaluations of the potential effectiveness of a wide range of relevant policy interventions, including taxes on wealth, drawing on evidence from overseas as well as on qualitative and quantitative research in the UK.

How wealth inequality affects economic growth

In October 2025, the Fairness Foundation published the second iteration of its [Wealth Gap Risk Register](#). This online resource collates evidence about the impacts of wealth inequality in the UK (including on economic growth) and how to reduce it and mitigate its impacts. In the same month, the Fairness Foundation also published a report, [Win-Win-Win](#), co-authored by **Professor Howard Reed FAcSS** and **Professor Martin O'Neill**, which made the case for increasing taxes on wealth so as to raise revenues, curb wealth inequality and boost growth (in part by setting out the ways in which wealth inequality is a barrier to growth).

The evidence in these two reports suggests that the same factors that are holding back economic growth are also pushing up wealth inequality, with the result that people's life chances now owe more to what they own than to what they earn. We provisionally identify five mechanisms by which wealth inequality harms growth:

- **Reducing demand:** The concentration of wealth in few hands reduces consumer spending power, increases poverty, and drives up household debt, weakening demand and stalling growth.
- **Wasting talent:** Inequality is a barrier to good grades and good jobs for millions of people, blocking the flow of talent and ideas, and so damaging innovation and productivity in our economy.
- **Extracting wealth:** Some companies and individuals control huge assets and charge others 'rents' to use them, extracting wealth at the expense of genuine wealth creation.
- **Skewing investment:** When too much investment flows to one sector (such as real estate) at the expense of more productive sectors, genuine wealth creation and economic growth suffers.
- **Undermining competition:** Wealth inequality increases market concentration. Oligopolies reduce competition, increase prices, and suppress innovation and growth.

Policy responses to the impacts of wealth inequality on growth

As both of the Fairness Foundation reports cited above set out, a range of policy levers are available to governments that wish to tackle the barriers to growth that result from wealth inequality. Many of these focus on reducing the underlying level of wealth inequality. Redistributing wealth (and income) from those with more wealth to those with less through the tax system has a key role to play, and there are numerous options for reforming existing taxes on wealth (including inheritance tax, capital gains tax and property taxes) as well as the possibility of introducing new taxes on stocks of wealth. However, it is just as important to share wealth more widely across society to start with, by building a more inclusive economy. Strategies to achieve this could include mandating worker representation on boards to boost the chances of increasing the proportion of company profits that go to ordinary workers rather than to investors or executives, or setting up a citizens' wealth fund that would pay out an annual dividend to every citizen of the UK.

Many policy responses can 'kill two birds with one stone' by reducing direct barriers to growth at the same time as tackling the underlying barriers to growth posed by wealth inequality. For example, bold but carefully designed and implemented reforms to existing taxes on wealth could help to boost economic growth, both by reducing distortions in the tax system and by mitigating the negative impacts of wealth inequality on growth:

- Equalising capital gains tax rates with income tax (while introducing an investment allowance and an exit tax on people leaving the UK, and ending relief for inherited assets) would address the productivity drag that results from shifting employment income into capital gains, while redistributing some excess wealth
- Applying national insurance contributions to non-dividend investment income (e.g. savings interest and property rent), and the equivalent of employer NICs to partnership income, would reduce incentives to invest in unproductive assets (e.g. real estate) at the expense of more productive assets, and would address investment disincentives for limited liability partnerships, while redistributing some excess wealth
- Improving HMRC's capacity to tax wealthy taxpayers and its use of its existing enforcement powers would enable increased investment in public services, boosting opportunity and productivity across the economy

Further reading

1. [Achieving Good Growth](#) – A Campaign for Social Science project showcasing research and insights from the social sciences to offer informed perspectives on how the UK might best address its challenges around growth and productivity – but also how this should be balanced against other competing policy priorities.
2. [Wealth Gap Risk Register](#) – A report by the Fairness Foundation that sets out the evidence base for the impacts of wealth inequality on our economy, society, democracy and environment, as well as for the policy responses that can both reduce wealth inequality and mitigate its spillover impacts.
3. [Win-Win-Win](#) – A report by the Fairness Foundation that examines the negative impacts of wealth inequality and argues that taxing wealth better can help to reduce wealth inequality and boost growth at the same time as raising revenues.