

Harms of Extreme Wealth

An evidence review

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Contents

Introduction and methods 4
Political harms 7
Report card 8
Narrative review 10
Social cohesion 23
Report card 24
Narrative review 25
Social mobility 35
Report card 36
Narrative review 37
Economic harms - growth 50
Report card 51
Narrative review 54
Economic harms - poverty 73
Report card 73
Narrative review 76
Environmental harms 88
Report card 88
Narrative review 91
Country case study: UK 106

Introduction and methods

What is this review?

The review collates and evaluates evidence for the political, environmental, economic and social harms that are associated with the increasing level and concentration of wealth we observe in many societies today. It is part of a broader research programme to develop a social indicator on extreme wealth which we call an Extreme Wealth Line.

What is the relationship between evidence of harms and the development of an Extreme Wealth Line?

We argue in our methodology paper (Burchardt, Vaughan and Robeyns, 2026) that setting an Extreme Wealth Line – differentiating 'ordinary' wealth from 'extreme' wealth – should be informed by evidence on the relationship between different levels and concentrations of wealth, on the one hand, and different levels and types of harm on the other.

The Line should be set at a point where the harms become socially unacceptable. The evidence is an important input to that decision, but it will also require expert and public deliberation to reach a consensus.

What do we mean by 'harms'?

The definition of 'harm' we use (see our conceptual paper: Robeyns, Vaughan and Burchardt, 2026) is sociological: harm to members of society caused by a pattern or structure. It does not imply that the harm is intentional or that any specific individual is responsible.

The harms of extreme wealth are mostly experienced by people other than the wealthy. In that sense they can be thought of as 'negative externalities', although unlike conventional negative externalities (for example, from smoking), the harms of extreme wealth may be present even if there is no transaction or consumption.

What do we mean by 'extreme wealth'?

For the purposes of the review, we have applied a flexible and inclusive definition of extreme wealth, encompassing, for example, high net worth, top wealth shares and high wealth inequality. This is because a more precise definition of what constitutes 'extreme' wealth depends on the outcome of the review: a level or concentration of wealth at which the harms associated with it become socially unacceptable.

Wherever possible, we focus on wealth (stock of resources) rather than income (flow of resources), but in some sources these are conflated.

What types of evidence have been reviewed?

We have grouped the evidence under four broad dimensions of harm: political, environmental, economic and social. However these are neither mutually exclusive nor exhaustive dimensions.

We have searched for academic, peer-reviewed, evidence on the relationship between wealth and each of these types of harm. The evidence is inter-disciplinary, including contributions from economics, history, law, sociology, political science, psychology and social policy.

The review follows the principles of systematic reviewing (for example, transparency and reproducibility) but resources did not permit a full-scale systematic review.

How has the evidence been assessed?

Because the evidence is drawn from many different disciplines, it uses many different methods – for example, natural experiments, correlational studies, long-run historical and/or comparative analysis and case studies. We have therefore taken an approach of evidential pluralism (eg Shan and Williamson, 2025). This means that we are including studies that provide evidence on the mechanisms (sometimes called 'pathways') connecting extreme wealth to a particular kind of harm, as well as studies that quantify the correlation or test causation.

The plurality of evidence makes it especially important to evaluate the strength of the evidence overall. We do this through making an assessment of the *evidential certainty* jointly provided by the studies in the review for a relationship between extreme wealth and a particular type of harm. We separately assess whether the evidence shows a strong or a weak relationship between extreme wealth and that type of harm. See '*How are the results of the review reported?*'below.

How are the results of the review reported?

We summarise this for each kind of harm reviewed in a 'report card' with the following fields:

Mechanism: summarises evidence on how extreme wealth can produce the harm.

Evidence assessment: Certainty of evidence: provides our judgement on the validity and reliability of the evidence for the mechanism, and, where relevant, the threshold.

Evidence assessment: Strength of relationship: provides our judgement on what the evidence shows about the strength of the relationship between extreme wealth and the harm in question. This is distinct from the evidential certainty: it is possible to have weak evidence of a strong relationship, or strong evidence of a weak relationship.

Threshold: summarises evidence on the level of wealth or wealth concentration at which the harm occurs, or intensifies. It highlights any evidence of inflection points ('tipping points') in the relationship. (In practice, we found very few studies that identify inflection points).

Contextual factors: summarises which institutional, policy or other contextual factors the evidence suggests are important in moderating the relationship between extreme wealth and harm.

Evidence gaps: summarises key weaknesses and gaps in the evidence base.

Examples of strong studies: provides a small number of key references.

A more comprehensive narrative review, with references to underlying studies, is linked from each report card.

Who conducted the review and how was it funded?

The review team was Irene Bucelli, Eleni Karagiannaki, Tania Burchardt and Michael Vaughan. Ingrid Robeyns was an advisor. Irene led on the political, environmental and social dimensions, and the harm of poverty; Eleni led on economic growth and on the country case studies. Tania and Michael provided direction and support.

The review was funded by Patriotic Millionaires UK through grants from the Joseph Rowntree Foundation and from Partners for Change, as part of the Extreme Wealth Line Initiative, with in-kind support from LSE.

How can I find out more?

Please visit our website at https://sticerd.lse.ac.uk/harms-of-extreme-wealth/

You can also let us know of evidence we have missed, or sign up to keep in touch with the academic programme of the Extreme Wealth Line Initiative, through links on the site.



Political harms

Report card

<table>
<tr><td>Relationship between extreme wealth and political harms</td><td colspan="2">Extreme wealth can be politically harmful because it allows a small elite to dominate democratic processes through lobbying, campaign financing, privileged access, and control of media, shaping policies to serve their interests rather than the public good. This concentration of money and influence undermines political equality, weakens accountability, erodes the rule of law, and enables regulatory capture, ultimately threatening democratic stability and citizens' rights.</td></tr>
<tr><td rowspan="2">Evidence assessment</td><td>Certainty of evidence</td><td>Strength of relationship</td></tr>
<tr><td>Medium / Strong

Evidence is largely based on robust but correlational studies, with stronger causal evidence of the mechanisms linking extreme wealth and political harms – e.g. around political access, impacts of campain finance and electoral influence, policy bias and representational inequalities. The literature around the impact of wealth levels and wealth concentration on political harms is still at an early stage of development, with the most convincing evidence around harms to democratic functioning, institutional quality and policy capture.</td><td>Strong

While there is no consensus in the literature, the strongest studies point to a robust, linear relationship between democratic harms and the concentration of wealth at the very top of the distribution, with effects being strongest when measured using the wealth shares held by the top 1%, 0.1%, or 0.01% of the population.</td></tr>
<tr><td>Threshold</td><td colspan="2">No consensus on a threshold</td></tr>
<tr><td>Contextual factors</td><td colspan="2">• The strength of democratic institutions itself (e.g. strength of the rule of law, judicial independence, electoral integrity).
• Campaign finance and electoral regulations (including rules on political donations, campaign expenditure limits, transparency requirements etc).
• Institutional pathways to political influence (including appointment processes for legislative and advisory bodies, access to policymakers)
• Country political history (e.g. historical development of institutions and historical elite-state relations)
• National development and economic conditions shape whether inequality contributes to democratic fragility and backsliding
• Economic openness and capital mobility, including capital account openness, affects the impact of politically connected wealth
• Media market structure and concentration, while structural media market shifts shape incentives for media ownership</td></tr>
<tr><td>Evidence gaps</td><td colspan="2">• More evidence needed on the relationship between wealth levels and propensity to make (and size of) political contributions – e.g. At what level of wealth do individuals become major political donors?</td></tr>
</table>

	• Emerging evidence links wealth inequality democratic backsliding, further studies could estimate the predicted risk of democratic erosion for different levels of wealth share held by the top 10%, 1%, 0.1% • More, non-US-centric evidence – e.g. Inequalities in political and campaigns donations is found in many countries, but most studies of the impacts of money in politics are US-centric • More research needed on the effect of wealth inequality *on* corruption (as distinct from income and as distinct from effect of corruption on wealth)
Examples of strong studies	**On democratic functioning and institutional quality:** Rau, E. G., & Stokes, S. (2025). *Income inequality and the erosion of democracy in the twenty-first century*. *Proceedings of the National Academy of Sciences*, 122(1), e2422543121. Korman JG (2023), "Assessing the impact of wealth inequality on state capture in Latin America". *International Journal of Development Issues*, Vol. 22 No. 2 pp. 198–213 Houle, C. (2018). Does economic inequality breed political inequality? *Democratization*, 25(8), 1500-1518. **On the impact of money on policy capture and political access:** Kalla, J. L., & Broockman, D. E. (2016). Campaign contributions facilitate access to congressional officials: A randomized field experiment. *American Journal of Political Science*, *60*(3), 545-558. Ferguson, T., Jorgensen, P., & Chen, J. (2017). *Fifty shades of green: High finance, political money, and the U.S. Congress*. Roosevelt Institute.

Political harms

Narrative review
by Irene Bucelli

Evidence of the impact of extreme wealth on:

1. Quality of institutions and democratic functioning
2. The media
3. Political participation

1. Quality of institutions and democratic functioning

- emerging but convincing evidence of harm

The literature on wealth and wealth inequality in relation to political harms to democratic functioning is at an earlier stage of development compared to that on income inequality. At the same time, while evidence that income inequality undermines democracy is mixed (Ansell and Samuels, 2018; Caeiro, 2025; Zafirovski, 2022)[1], the emerging literature around the role of wealth is pointing more convincingly to evidence of harm. This literature suggests a linear, monotonic negative effect of wealth concentration on various markers of institutional quality and democratic backsliding (Jia, 2025; Schechtl, 2025; Rau and Stokes, 2025). In a series of cross-national studies taking capital shares as measure of wealth inequality, Houle (2009, 2014; 2018) considers the impacts on democratisation, but also on democracy consolidation and backsliding. He confirms a weak link to democratisation but a stronger relationship between wealth inequality the probability of backsliding – so that inequality is found to make it harder to maintain a democracy. Level of development, growth as well region and country history bear on the relationship. Houle (2018) finds that economic inequality (including wealth inequality) reduces political equality (measured as influence of different socio-economic groups on decision-making, policies reflecting interests of different groups, participation, representation in government). Bagchi and Fagerstorm (2023) find a negative relationship between 'politically connected wealth' – wealth that is acquired through government connections, such as state contracts, and marked by apparent political ties – and democracy. They show that, for instance, 43% of the deterioration of democracy that can be found in India's democracy scores between 2007-2012 can be explained by politically connected wealth inequality. This is particularly in a context of limited capital account openness, as capital mobility reduces the effect.

In the US, a recent working paper by Schechtl (2025) finds association between state-level wealth inequality and democratic backsliding (e.g. gerrymandering, voting accessibility and waiting times, disenfranchisement). The relationship is not found for income inequality and is particularly strong when considering top wealth shares (top 1 percent, 0.1 percent, and 0.01 percent). The size of the effect is most pronounced where rising wealth concentration among the ultra-wealthy coincides with Republican

[1] It is important to note that this literature is often focused on political harms in the form of regime change, rather than quality of institutions (Scheve and Stasvage, 2017; Ansell and Samuels, 2018).

gains in state legislatures. In Latin America, Korman (2023) finds that state capture monotonically increases as wealth inequality increases. The study controls for a range of factors that can possibly mediate the relationship (e.g. rule of law, economic freedom, GDP) and suggests that democracies with a weak rule of law may be more prone to state capture, especially at high levels of wealth inequality.

In a strong cross-country study focusing on both wealth and income inequality, Rau and Stokes (2025) focus on the effect on democratic backsliding (as erosion of vertical and horizontal accountability – e.g. related to independent role of judiciary, media, and voting processes). They find that economic inequality (measured separately as both income and wealth inequality – top 10 percent and 1 percent wealth shares) is a strong and robust predictor of democratic erosion. Economic inequality is a more robust risk factor than is national wealth as well as a stronger one. Wealth inequality is slightly more predictive than income inequality, and wealth concentrations among the top one percent wealth shares are the most predictive. They also point to how, contrary to older research that identified differences between young and mature democracies (where the former were more found more fragile and prone to regime change and coupes), the effect they find for democratic backsliding affects also older democracies, not just new ones.

Campaign finance and influence on elections

There is a rich literature on some of the mechanisms that, while not identifying specific thresholds, link extreme wealth and wealth inequality to political harms.

Firstly, nequalities in campaign finance contributions are large and well documented. In the US, studies in the early 2000s focused on income and found that households with annual incomes of at least $100,000 accounted for 93.3% of contributions exceeding $1,000 to U.S. presidential candidates in the 2000 election cycle (Overton, 2004). In the 2012 election, Bonica et al (2013) found that the share of total income received by the top 0.01 percent of households was about 5 percent but their share of campaign contriutions was over 40 percent, while it had been less than 10% in 1982. This was at over 46 percent updated to 2018 (Cagé, 2024). Bonica and Rosenthal (2015) show that campaign contributions increase as wealth increases: using Forbes 400 data, they find that a 1% increase in wealth is associated with a 0.7-1.0% increase in campaign contributions, depending on the controls used. Beyond the US, Cagé (2020) found ahigh level of contribution concentration in European countries, both in countries where donations and campaign expenditures are not limited (such as Germany), where donations are not capped but expenditures are (the UK), and in countries where citizens (and firms) cannot contribute more than a certain amount (such as Italy). Even in countries with strict caps, as in France, the top 0.01% of the income distribution contributes nearly 9 times more than the average amount contributed, while the top 0.01% contributes 59 times more than the amount of the nineth decile and 2,200 more than the first decile (Cagé, 2024). Similar political donations inequality trends are also found in other countries which have caps, such as Canada (Carmichael and Howe, 2014) or South Korea (Cagé, 2024). UK evidence (Draca et al, 2022) also finds a greater role played in recent years by individual wealthy donors. Between 2001 and 2010, large gifts accounted for around 40 % of all declared funding received by the Conservative, Labour, and Liberal Democrat parties. Total political donations have grown by nearly 250% since 2001, reaching over £100 million in real terms for the first time in 2019. By 2019, 60% of all party donations came from individuals rather than

organisations. Nearly half were provided by super-donors contributing over £100,000 or more in a single year: the super-donor share went from approximately 31% in 2017 to 45% in 2019.

Campaign contributions have also been linked to electoral outcomes. For instance, in the US, a study focusing on the link between campaign contributions and votes shares in elections (Ferguson et al, 2021) finds that money influences election outcomes in a strong, linear relationship. This can be considered a harm in the sense of introducing a systematic bias in the democratic process. The share of money strongly, nearly proportionally, predicts the share of votes, especially in House races. The paper also addresses the issue of reciprocal causation: money may help win votes, but the expectation that a candidate can win votes also brings in contributions. While the study finds evidence of reciprocal causation, it also identifies an independent role in the direction of contributions bearing on electoral outcomes. Overall, the study offers support to the idea that extreme wealth skews the responsiveness of the system to favour interests of large donors. A recent quasi-experimental study (Battaglini et al 2024), exploring the influence of donors on election results, shows that the death of a main donor decreases the votes received by a candidate by 2.5 percentage points with an effect that persists long term across election cycles. The effect is significant, the study shows that the 2.5 percentage point decrease would mean that, on average, 18 winning candidates would lose their seats during an election cycle, implying a 4.1% change in the composition of the US House of Representatives (sufficient to change the majority in most Congresses).

There is also strong evidence that measures to limit the influence of money in politics can improve democratic processes. For instance, experimental evidence from Brasil shows that campaigns regulations and spending caps improve diversity of representation, increasing the likelihood of election of less wealthy candidates and reducing incumbency advantage (Avis et al 2017).

Political access and elite influence

A US field experiment exploring access to policy-makers (Kalla and Brookman, 2016) explored the role of money as a factor influencing administrators and legislators. They found that senior policy makers made themselves available between three and four times more often when informed prospective attendees were political donors. This shows preferential access given to potential donors, even at lower levels of potential donations or without personal connections.

However, evidence on preferential political access can be hard to track empirically. Studies in fields such as law have documented the mechanisms linking wealth and politics (Andrias, 2015; Kim, 2015) pointing to the way in which extremely wealthy donors are capable of influencing policy in covert ways and engage in ‘stealth politics’, with limited transparency and accountability (Page et al, 2018). For instance, Kim (2025) shows the new role of individual mega-donors in the US after landmark legislative changes (e.g. Citizens’ United in 2009). In particular, there has been dramatic increase in independent expenditure not primarily driven by publicly traded companies but by super Political Action Committees

(PACs) and ideologically aligned nonprofit groups funded by capital-holders acting in their individual capacities. Concentrated wealth translates into significant political influence, often bypassing traditional disclosure regimes, as the activity of super PACs and other independent groups financed by a small number of extremely wealthy individuals remains undocumented by lobbying data

Policy capture and representational bias

There is also evidence of the impact of wealth on policy capture and representational inequalities, but this is largely focused on documenting existing disparities rather than establishing causality. Some US evidence has long found evidence of representational inequalities and policy capture, with a policy bias favouring the preferences and interests of the rich (Ansell and Gingich, 2024; Gilens and Page, 2014; Bartels, 2002). Similar disparities are also found in cross-national studies (Persson and Anders, 2023), showing that the pro-rich bias is stronger on issues that display greater polarisation between richer and poorer citizens (Lupu and Warner, 2021). Elkjær & Klitgaard (2021) conduct a systematic review and meta-analysis of the literature and find that while there is, in the aggregate, evidence of differential political responsiveness, methodological differences bear on the extent to which studies find greater responsiveness to the preferences of the rich.

Some experimental studies do find evidence of the mechanisms through which individuals and groups with extreme wealth can introduce representational biases: for instance, in the US, Hertel-Fernandez et al (2019) find that when senior Congressional staff come into contact with corporate interests (e.g. they receive an economic contribution from an organised interest group), they are less likely to have an accurate picture of their constituents' opinion on specific policy issues and are more likely to change their stance on them. While the study does not show that extreme wealth causes biases in policy-making and representation, it presents a mechanism through which wealthy donors and organized business influence the policymaking process at the expense of interests of others. Also in the US, Ferguson et al (2017) explore the role of contributions by institutional donors—large banks, hedge funds, and financial PACs – in congressional voting. They found that legislators receiving more financial contributions were more likely to support industry-friendly amendments that weakened regulatory provisions. For instance, for every $100,000 that Democratic representatives received, the odds they would break with their party increased by 13.9% - the article finds that more often representatives received $200,000-300,000, increasing the odds substantially to up to 40%.

The UK evidence also showcases the importance of understanding the specific institutional context. For instance, because of the rules governing election to the House of Lords, money can not only buy access to legislators but also see donors themselves becoming legislators. Radford et al (2020) find evidence of a significant relationship between donations and nominations for peerage. The majority of House of Lord nominees are either former parliamentarians with legislative experience, major public officeholders or people nominated by an internal party election and in general donated small amounts. However, there is a small but significant (31%) group of less traditional nominees, whose donations account for 97.9% of all received. This shows that peerage nominees outside the traditional groups are more likely to be big donors.

Finally, there is good evidence of a bidirectional relationship between inequality and corruption. Most research on wealth focuses on the role of corruption in driving extreme wealth rather than on the impact of wealth levels and concentration on corruption – corruption is found to be an important driver of wealth inequality (Flores Marquez et al, 2021; Torgler and Piatti, 2013). However, the larger literature focused on income inequality has explored both directions of causality, finding a stronger effect of inequality on corruption than vice versa (You and Khagram, 2005; Laxmi and Narayan, 2019; Chong and Gradstein, 2007).

2. The media

– despite methodological constraints in terms of quantifying harms, there is evidence of the mechanisms linking extreme wealth to media concentration and capture

Media scrutiny strengthens political accountability and a diverse, independent media landscape can ensure transparency and help preventing capture, making it harder to suppress information. The media also play a key role in informing voters, increasing participation, and influencing vote shares. A challenge for the literature on media capture is that many studies focus on describing some high-profile cases of media capture (Oxfam, 2025) and remain largely unable to quantify the phenomenon and its consequences. The very nature of the phenomenon presents methodological challenges: media capture typically involves a small number of powerful owners operating across highly diverse political and regulatory contexts, making meaningful, large-N quantitative analysis difficult. Some robust, quasi-experimental studies find evidence of political inequality linked to high levels of wealth, for instance showing how ultra-rich individuals can significantly shape electoral outcomes through media ownership. Focusing on the case of the free-circulation newspaper founded by Sheldon Adelson in Israel, Grossman et al (2022) found a strong positive relationship between higher rates of the journal readership and increased support for the right in Israel over a 10-year period, producing a 1.5%–2% increase in right-bloc vote share. While this type of study and case-specific evidence does not generalise to the role of extreme wealth and media capture, this can be better understood through its relationship with media concentration.

Media concentration and media capture

There is a rich literature, in both the field of media studies and economics, that shows the link between media concentration and media capture (Besley and Pratt, 2006; Pratt et al 2013). This literature has largely focused on the role of governments: the structure of the media industry affects political accountability and high media concentration—meaning a small number of companies owning most outlets— makes it easier for governments to influence or control the flow of information. With only a few owners to pressure, reward, threaten, or regulate, capture becomes simpler, while media plurality tends to ensure more objective news coverage. Similar arguments can, however, extend to private owners, who may likewise seek to instrumentalise the media in ways that serve particular political factions but also reduce transparency and accountability to serve their own interests. This can make

media ownership an instrument of boosting both their economic advantage and political power. Some influential, but largely not empirical, studies in economics link the phenomenon of media capture to extreme wealth and wealth concentration: wealth concentration increases the likelihood of media bias as media capture is more likely when there are a few large shareholders than when ownership is diffused (Corneo, 2006).

There is descriptive evidence of high and rising levels of media concentration (Trappel and Meier, 2022). The most exhaustive study is that of Noam (2016) which finds oligopolistic media markets in most countries with, on average, four companies controlling over half of each country's national media industries combined. A recent UK study (Equality Trust, 2025) includes media ownership concentration as part of a broader "Concentration of Power Index", which also tracks appointments to the House of Lords and large political donations between 2001 and 2022. The study finds that the share of national wealth held by the top 1% is strongly and significantly correlated with the Concentration of Power Index in a monotonic relationship (the same correlation is not found for income measures).

Media ownership and media practices

Moreover, there is evidence that ownership structure bears on the kind of journalism produced. Benson et al. (2018), drawing on a comparative study of 51 news organisations in France, Sweden and the United States, find systematic differences in content across ownership forms. Civil-society owned outlets display the strongest public-service orientation, including higher levels of investigative journalism, public affairs reporting, ideological diversity and international coverage. By contrast, stock-market-traded and conglomerate-owned outlets are associated with lower proportions of public-service content and greater emphasis on audience maximisation and commercial objectives. More recent comparative work reaches similar conclusions, showing that ownership forms are consistently associated with different patterns of journalistic practice, political instrumentalism and economic instrumentalism (Benson et al., 2025). Commercial ownership structures are more likely to prioritise shareholder value and cost reduction, often resulting in lower investment in investigative reporting and public-affairs journalism. Evidence from private-equity acquisitions similarly finds reductions in newsroom capacity, weaker local political coverage and lower civic participation.

Media market structures and trends

The relationship between extreme wealth and media capture is best understood through broader structural changes affecting media systems. This literature helps understanding the characteristics of the media landscape which create the conditions for media capture and undermine the media public function under certain types of ownership. Changes in technology, advertising markets and business models have weakened traditional revenue sources for journalism and altered the incentives underpinning media ownership (Nielsen, 2017; Barnett, 2010). Advertising revenues have shifted towards digital platforms, audience fragmentation has increased, and subscription-based models have become increasingly important. These trends have undermined the traditional models of operation and

funding as well as the economic viability of many forms of investigative and public-interest journalism (Tomaz and Trappel, 2025; Larsen, 2016).

On the one hand, these dynamics underpin pressures for consolidation in many media markets, shaping media concentration trends that make media capture by the very wealthy more likely (Nielsen, 2017). Noam (2016) shows that differences in the concentration levels of different media industries are correlated with the capital intensity of the media industry. The more capital-intensive an industry is, the relatively higher are fixed costs and the relatively lower are variable costs, and hence economies of scale. This, in turn, favours large firms and industry concentration. As media becomes more capital-intensive, its industry concentration continues to rise.

Moreover, structural shifts matter because they shape the motivations for owning media organisations. As standard news operations become less profitable, ownership increasingly becomes attractive for its political, reputational or strategic value rather than its direct financial returns (Barnett, 2010; Nielsen, 2017; Benson et al., 2025). The same media owners also have broader corporate interests, making media ownership increasingly intertwined with wider economic interests and regulatory relationships. Media companies are increasingly embedded within diversified business conglomerates whose activities depend on regulation, government contracts or political goodwill. In these circumstances, media organisations become more vulnerable to political pressure and conflicts of interest because owners have incentives extending beyond journalism itself (Barnett, 2010; Benson, 2025).

3. Political participation

- limited evidence base, literature largely focused on income inequality rather than wealth

There is a vast literature on the impact of inequality on political participation, particularly on electoral turnout. This literature is however largely focused on income inequality rather than wealth, often using GINI measures. Some recent studies that do consider wealth focus on trends in turnout inequalities: for instance, showing that greater individual wealth is associated with higher turnout rates across countries (Nadeau et al, 2019). In the UK, Ansell and Gingich (2024) find that rising economic inequality is associated with an increase in political inequality: with stark rises in turnout inequality by income, education, age, and homeownership. This type of study still only proves association rather than causality, while the focus on homeownership is also narrow and not suited to capture the role of 'extreme wealth'.

The literature on income inequality has more closely explored its impact on turnout, with seminal studies such as Solt (2008; 2010) and Anderson and Beramendi (2008) finding that higher inequality leads to lower turnout, especially among lower-income groups, widening participatory gaps. Some cross-country studies indicate that voter turnout is lower in more unequal societies (Schafer and Schwander, 2019), while others point to other conditions that bear on the relationship, such as levels of national wealth (Jensen and Jespersen, 2017) or spatial disparities – for instance related to factors such as local-level inequalities and local political competition (Amat et al, 2023). A few studies point to a non-linear, inverted U-shaped relationship between inequality and turnout (Amat and Baramendi, 2015; Dash et al, 2023): turnout inequality is low at low levels of inequality and at very high levels of inequality, with mechanisms such as clientelism suggested to explain mobilization of low-income voters (Amat and Baramendi, 2015). Overall, the evidence remains mixed depending on the methods used, with a recent review of the literature Elsässer and Schäfer (2023) noting that it remains hard to settle the dispute between conflict theory (higher economic – including wealth – inequality can be a powerful motivator for the poor to engage with politics) and relative power theory (rising economic inequality depresses participation among the poor).

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Social cohesion

Social Harms – Social Cohesion

Report card

Most contemporary research on social cohesion conceptualizes it as a multidimensional construct centred on social trust, civic or cooperative behaviour, and the absence of social conflict or violence. The review focused on two aspects of social cohesion: social trust and conflict/crime. A wide range of studies identify social trust as a core component at the heart of cohesive societies and it is one of the aspect most extensively studied empirically in sociology, but also psychology, political science and economics. Social trust refers to interpersonal trust with other people in society, distinguished from political trust (e.g. trust in institutions).

<table>
<tr><td>How can extreme wealth harm social cohesion?</td><td colspan="2">Social cohesion requires shared norms, mutual trust, and a sense of belonging, but extreme wealth can erode these foundations by increasing social distance between groups in society. Extreme wealth concentration can not only increase social divides in terms of physical segregation and more fragmented, unequal services, but it can also amplify status competition, resentment, and perceived unfairness. These dynamics undermine interpersonal trust and weaken identification with a common society. They also reduce confidence in institutions, commitment to a shared social contract and can affect cooperative behaviour increasing risks of conflict and crime.</td></tr>
<tr><td rowspan="2">Evidence assessment</td><td>Certainty of evidence</td><td>Strength of relationship</td></tr>
<tr><td>Weak - moderate

In relation to social trust and crime, the literature on wealth specifically is extremely limited. However, the extensive research on income inequality identifies strong correlations, especially in cross-sectional studies. There is also strong evidence of the mechanisms linking inequality and lower trust, which are also relevant in relation to extreme wealth: inequality reshapes social relations by making them more competitive, more strained, and less reciprocal, which in turn depresses generalised trust.</td><td>Medium

Inequality has a significant and meaningful effect on social trust but it is not an independent facto that can be isolated from other co-determinants. The evidence points to a stronger negative impact of inequality on trust in high-income countries, as in less economically and institutionally developed contexts other structural factors play a greater role. These factors also bear on the relationship between inequality and crime: while consistently associated, the strength of the relationship is heterogenous depending on methods of inquiry used, types of crime and time-frame used.</td></tr>
<tr><td>Threshold</td><td colspan="2">No quantification of thresholds, mostly linear analysis</td></tr>
<tr><td>Contextual factors</td><td colspan="2">• Institutional quality and governance, including corruption, rule of law, and confidence in public institutions.
• Economic development and macroeconomic conditions (e.g. national income levels, economic instability, poverty and economic deprivation, unemployment, and growth trajectories)
• Security and state capacity, including exposure to violence and conflict settings
• Housing policy and housing markets, which shape residential segregation, neighbourhood inequalities, opportunities for cross-group contact
• Historical and demographic factors, including ethnic composition, migration patterns, religious and cultural legacies, and historical trajectories of state formation and social integration</td></tr>
</table>

Evidence gaps	- **Evidence on wealth and wealth concentration, as distinct from income inequality, remains extremely limited across both social trust and crime outcomes. In particular, despite indications that measures more sensitive to upper-tail income concentration often predict stronger effects (in relation to both social trust and crime) , more evidence is needed in relation to extreme wealth** • **Most studies assume linear relationships; there is limited evidence on thresholds, tipping points, and non-linear effects** • **More research is needed on the mechanisms linking extreme wealth to lower trust, including status anxiety, perceptions of unfairness, social fractionalisation, and elite segregation, including on whether extreme wealth has effects that differ qualitatively from broader inequality**
Examples of strong studies	**Social Trust:** Barone, G., & Mocetti, S. (2016). Inequality and trust: New evidence from panel data. *Economic Inquiry*, *54*(2), 794-809. Han, S. (2025). The erosion of democracy in an age of wealth inequality: Unravelling the impact of subjective socioeconomic stratification. *The British Journal of Politics and International Relations*, *27*(3), 1103-1125. Melita, D., Willis, G. B., & Rodríguez-Bailón, R. (2021). Economic inequality increases status anxiety through perceived contextual competitiveness. *Frontiers in psychology*, *12*, 637365. **Crime**: Pazzona, M. (2024). *Revisiting the Income Inequality–Crime Puzzle*. World Development, 176, 106520. Thornton, A., Bhorat, H., Lilenstein, A., Monnakgotla, J., & van der Zee, K. (2023). Crime, income, and inequality: Nonlinearities under extreme inequality in South Africa. *Economic Development and Cultural Change*, *72*(1), 207-240.

Social cohesion

Narrative review

by Irene Bucelli

Negative impact on social trust: lack of studies focusing on wealth. The literature on income inequality is large, finding a negative relationship primarily in cross-sectionally. Overall the evidence indicates that the impact of inequality depends strongly on contextual co-determinants and so inequality is only one part of a complex causal environment. There is strong, consistent evidence on the psychological mechanisms connecting perceptions of inequality and trust, through social distance, status competition, perceived unfairness.

There is limited literature studying wealth and wealth inequality in relation to social trust: one World Bank report focused on the Philippines (Labonne et al 2007) finds that higher asset inequality strongly

reduces interpersonal trust, even after accounting for people's own relative position. A recent study by Han (2025) focuses on political trust and preferences in regards to democracy and presents results relevant to social trust in terms of identifying patterns of polarization associated with wealth inequality. The study focuses on the top 1% and 10% of wealth concentration and finds that wealth inequality reshapes how people see themselves in the class hierarchy, with fewer individuals who identify with the subjective middle class. In turn this bears on attitudes towards democracy as trust in democracy and preferences for democratic governance.

Income inequality and social trust

The relationship between inequality and social trust is one of the most extensively studied topics in the social-cohesion literature. The work by Wilkinson and Pickett (2010) has been especially influential in the debate around the social harms associated with inequality and several studies explored the relationships around the social harms they identify. Most cross-sectional and cross-country studies find that higher levels of inequality are associated with lower levels of generalised social trust (Wilkinson and Pickett, 2010; Barone and Mocetti, 2016; Larsen, 2013; Rothstein and Uslaner, 2005; Burchi and Zapata-Román, 2022). However, longitudinal studies generally report smaller effects and in some cases null findings (Fairbrother and Martin, 2014; Delhey et al., 2020; Stavrova, 2021; Romo, 2024).

An exception is one study focused on the US (Hastings, 2018), which finds evidence of a negative impact of inequality on trust longitudinally, —a growth in income inequality is associated with a decrease in trust - but not cross-sectionally between states. These longitudinal effects nevertheless disappear when using year fixed effects controls. There are cross-country studies that do find a significant relationship both between-countries and within-countries, albeit reporting smaller size effects (Garcia-Sanchez et al, 2024; Kanitsar, 2022). For instance Kanitsar (2022) using data from 216 regions across 22 European finds that both regional and national inequality are negatively associated with social trust, but that the association is substantially stronger at the national level. A comparable increase in between-country inequality is associated with an approximately threefold larger reduction in trust (0.72) than a similar increase in within-country (regional) inequality (0.22).[2]

A number of explanations can be given for the general discrepancy between cross-sectional and longitudinal findings. On the one hand, trust may adapt slowly, with a temporal mismatch compared to reported changes in inequality. Year by year changes in inequality are also modest, so that longitudinal effects may require longer time frames than most of the literature employs (Stavrova, 2021; Romo, 2024). Moreover, longitudinal models using year fixed effects, state/country fixed effects may statistically 'wash out' the effect of inequality (Hastings, 2018). If trust reflects long-run structural features rather than short-run material changes, cross-sectional patterns may better reflect deep

[2] Social trust is measured using the European Social Survey (ESS) trust scale, which ranges from 0 to 10, a change of nearly three-quarters of a point is generally considered meaningful for a relatively stable attitudinal measure such as social trust.

structural differences, such as historical and institutional factors, which themselves are related to inequality.

It is also important to note that a strong social gradient in relation to trust is well-established in the literature – meaning that those who are more advantaged in society (e.g. in terms of income or education) display higher levels of trust compared to the most disadvantaged (Uddin, 2025; Kim, 2021; Wright, 2015; Garcia-Sanchez et al, 2024; Hwang, 2018). Economic deprivation is a recognised determinant of social trust (Goubin, 2016; Fernández, López-Calva and Rodríguez, 2024). Few studies focus on how this social gradient relates to levels of inequality, but Wright (2015), in a study of U.S. youth across 4 decades, finds that this social gradient widens in periods of higher inequality – in fact, it almost doubles from lowest to highest Gini periods (1976 and 2005).

Some of the studies that find the stronger causal evidence of the relationship do not test whether the relationship is non-linear or whether there are threshold effects. For instance, Barone and Mocetti (2016) use panel data with an instrumental variable approach to estimate average marginal effects – they find that a 1-point increase in Gini is linked to a 2 percentage point decrease in the share of individuals who believe "most people can be trusted" in OECD countries (the average share is 39%). Graafland and Lous (2019), analysing cross-country panel data, identify both a direct effect of inequality in reducing social trust and an indirect effect, via 'life satisfaction inequality', which accounts for 20% of the total effect of income inequality on trust. The impacts the study explores are smooth and cumulative, with no exploration of thresholds or tipping points.

Contextual determinants of inequality and trust

Inequality appears to operate within a broader causal environment rather than acting as an independent determinant of trust. The strength of the relationship varies according to factors such as institutional quality, economic development and levels of social conflict. One study (Mattes and Moreno, 2017) focused on Latin American and Sub-Saharan African countries shows that countries with social trust above 30% all have a Gini < 0.45, while countries with Gini > 0.45 all have trust below 30%. At the same time, these countries also have other characteristics associated with lower trust, such as weaker institutions, high levels violence or conflict, economic instability, political clientelism. Steijn & Lancee (2011) note how cross-country studies that include both richer and emerging economies (e.g. such as Rothstein and Uslaner, 2005) find a strong relationship between inequality and trust, but this is driven by highly unequal countries (GINI > 0.40) which are also characterised by these structural co-determinants for trust. Their analysis of EU countries shows that inequality is not an independent predictor of trust, and the significance of the relationship they find disappears once country-level of wealth is controlled for. Kanitsar (2022) shows that Eastern Europe is characterised by low trust, weak institutions, and lower economic development, creating a regional context in which inequality cannot independently predict trust. Barone and Mocetti (2016) find that unobserved country variables may drive the relationship between trust and inequality in the poorer countries in their sample, but the relationship remains strong and significant for richer countries (OECD countries in their sample). In a comparison between Western and Asian countries, Delhey et al (2018) show that while factors such as

economic prosperity bear on trust across contexts, others including income inequality appear to bear greater weigh in Western compared to Asian societies.

Overall, what studies consistently show is that the impact of inequality depends strongly on contextual co-determinants and so inequality is only one part of a complex causal environment.

The main interconnected factors studied in the literature are: institutional quality, security context (e.g. conflict, violence), macro-economic factors (e.g. levels of development and country wealth, economic instability) and historical legacies (e.g. religious tradition, ethnic composition). Problems of multiple collinearities between these co-determinants of trust are well-established and make it difficult to ascertain the independent influence each (Delhey and Newton, 2005). Some studies do examine the relationships between these factors: Robbins (2012) finds evidence of a reciprocal relationship between trust and institutional quality, controlling for inequality, which is significant in both directions but stronger from social trust to institutional quality. Bjørnskov (2007) finds that inequality is the most significant and stable determinant of cross-country differences in social trust. While other determinants (e.g. related to religious differences, post-communist history) are also significant, other commonly assumed factors, such as democratic institutions, rule of law, economic growth are not, and in fact there is some evidence of reverse causality.

Mechanisms: social fractionalisation, status anxiety and perceptions of inequality

The literature on the link between inequality and social trust has focused on some key mechanisms that can explain the relationship found.

Explanations based on social fractionalisation argue that inequality undermines trust by increasing social distance and reducing interaction across socioeconomic groups, thereby weakening perceptions of commonality and shared fate (Rothstein & Uslaner, 2005; Hastings, 2018; Kanitsar, 2022; Fernández, López-Calva and Rodríguez, 2024). Status-anxiety accounts suggest that inequality heightens awareness of social hierarchies and intensifies status competition, generating insecurity and reducing trust in others (Wilkinson & Pickett, 2010; Paskov et al., 2013; Delhey et al., 2020). For instance, Paskov (2013) findings suggest that people are more concerned about their position in social hierarchy in unequal contexts, that this association holds longitudinally, and that status-seeking increases among all income groups – meaning that both poor and rich feel more anxious about their status in unequal societies.

Several studies also point to how perceptions and mechanisms associated with inequality—such as visibility of wealth, subjective social status, fairness evaluations, and status anxiety— bear on changes in social trust (Gould and Hijen, 2016, Willis et al, 2022). This includes experimental evidence in psychology that finds a causal relationship between inequality perceptions / visibility and trust, cooperation, interconnectedness (Nishi et al, 2015; Melita, 2021). Stephany (2016) shows how age is a key frame of reference for social comparison: age-group inequality is found to have a separate, significant relationship with trust. The relationship is stronger in more unequal countries at the national

level, but even in relatively equal countries with higher levels of trust (e.g. Sweden), subgroup inequality (especially in relation with age) is found to be linked to lower trust.

Observational studies exploring these dynamics focus on linear associations, not the establishment of thresholds: for instance, Hwang (2018) finds that perceptions of inequality significantly reduce trust in Korea, independently of objective income and the effect is incremental. One of the few studies focused on wealth (Han, 2025) finds that wealth inequality reshapes class identities, reducing people's likelihood to subjectively identify as middle class. Albertazzi (2025) conducts a study combining an observational study with an experimental design in Britain and shows that simply being shown a more unequal local income distribution lowers trust, even without information about one's own relative position.

Overall, the literature identifies a number of psychosocial mechanisms which coherently explain how inequality erodes trust. On the one hand, inequality heightens social comparison and concern about one's position, triggering psychological stress that undermines trust (Paskov, 2013; Melita, 2021; Delhey et al, 2020). Moreover, inequality creates feelings of unfairness (Hwang, 2018; Garcia-Sanchez, 2024) and exploitation which fuel resentment towards (and alienation from) other groups in society (Hastings, 2018; Rothstein and Uslaner, 2005). This undermines belief in a shared social contract and therefore reduces generalised trust. Meanwhile, greater social segregation also contributes to social distance, reducing everyday interaction between individuals from different social groups and segmenting society into groups with weaker mutual understanding and weaker reciprocal obligations (Hastings, 2018; Uddin, 2025).

Negative impact on crime: **lack of studies focusing on wealth, and often focusing on the bottom-end of the distribution. Methods generally assume linearity but a few studies pointing to non-linear relationships in relation to property crime. Overall, there is evidence of a significant relationship between inequality and crime but with great heterogeneity in terms of effect size. In general, inequality is one factor amidst several well-recognised co-determinants of crime.**

The literature on the relationship between inequality and crime is extensive, but again focused on income rather than wealth. A number of meta-analyses provide strong support for the link between inequality and crime (Pazzona, 2024; Kim et al. 2022). There is however, inconsistency in terms of the strength of the effect of inequality: some studies find large effects in developing countries or highly unequal contexts (Manea et al 2023; Goda & Torres García, 2019; Demombynes & Özler, 2005). Fajnzylber et al (2002), in a robust study controlling for endogeneity, find large long-term effects due to crime persistence multiplying small short-term effects.

Meta-analyses point to small effects (Pazzona, 2024; Kim et al, 2022), which are weaker in longitudinal studies and after considering publication bias, omitted variables, or collinearity (Pazzona, 2024). Others, such as Kim et al, (2022) who focus on Europe, find small effects to remain stable in the studies using longitudinal data. Pazzona (2024) highlights the sensitivity of findings to how inequality is measured. In particular, studies employing measures that are more sensitive to changes in the middle and upper parts of the income distribution tend to report stronger associations between inequality and

crime than studies relying on broader dispersion measures such as the Gini coefficient. The meta-analysis also focuses on differences between different types of crime, rejecting the standard assumption that inequality primarily matters for property crime, showing that it is also associated with violent crime - a result also found in Kim et al, (2022) and Stucky et al (2016). Finally, the paper also stresses the need for more research examining non-linear effects – which are seemingly more relevant in relation to property crime.

As for social trust, there are collinearity challenges and heterogeneity results from simultaneous correlation between inequality and many covariates (Corvalan and Pazzona, 2022). Poverty, employment, education levels, segregation, population density and age structure, quality of institutions and macro-economic factors are some of the most commonly explored factors. Fajnzylber et al (2002) point to how GDP growth rate, but not GDP level, has a significantly negative effect on the homicide rate. Elgar and Aitken (2011) find that income inequality affects trust and trust is a mediator in the relationship between inequality and homicide. Corvalan and Pazzona (2022) argue that an aspect often omitted from most studies is that of deterrence and private investment in protection: if better-off individuals invest in deterrence methods (e.g. gated communities, security systems, private policing), this will affect the inequality-crime relationship found in empirical studies. Fear of crime and demand for safety are one of the main reasons driving the development of gated communities, which in turn affect urban environments and crime dynamics (Bandauko et al, 2021). Thornton et al (2022) explore the issue of private investments in protection and crime rates in a study on property crime in South Africa. They identify an inverted U-Shaped relationship between crime and local area income, which can be the result of intensive investment in private security by the rich, slowing down the rate at which crime increases with precinct income. They find the relationship to vary depending on local income and inequality levels, in higher-income areas, greater inequality is associated with higher burglary rates, whereas in poorer areas the opposite pattern emerges. The study thus shows that inequality does not affect crime uniformly. The authors suggest that in poor and highly unequal areas, growing inequality may be associated with lower burglary rates because of a growing resource gap between affluent households' ability to invest in private security and the ability of potential offenders to successfully target them.

A number of studies find spatial patterns and show an association between neighbourhood inequality and crime (Demombynes and Özler, 2005; Hipp, 2025; Metz and Burdina, 2018). Others suggest that factors other than income, such as land inequality (Buonanno and Vargas, 2019) or housing inequality, also bear significantly on crime: in South Africa, Manea et al, (2023) find that 1 standard deviation increase in housing inequality explains 10–12% of increases in property and violent crimes and that programmes reducing housing inequality are also associated with crime decreases. However, these studies largely focus on disparities at the bottom-end of the distribution and often include measures of housing or neighbourhood deprivation – which are not directly relevant to questions around extreme wealth. More relevantly, Goda and Torres Garcia (2019) find that absolute inequality, rather than relative inequality, is a significant and robust determinant of property crime.

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Social mobility

Social mobility

Report card

Social mobility refers to the relationship between individuals' starting socio-economic position (income, class, education, wealth) and where they end up as adults. It can be measured within a lifetime or between generations, so focusing on parents' socio-economic position and its relationship for outcomes in adulthood for their children. Low social mobility exists when this relationship is strong and persistent, resulting in the transmission of both advantages and disadvantages across generations.

<table>
<tr><td>How can extreme wealth harm social mobility?</td><td colspan="2">The increasing share of wealth held by a small elite and the growing levels of wealth of the 'super-rich' can hinder the ability for upward mobility among those who are not extremely wealthy – as well as creating 'sticky ceilings' that allow the extremely wealthy to hold their advantaged position, in terms of their ability to accumulate further wealth, earn high incomes, obtain high status and dominate top professions. This can foster a "vicious cycle" where advantages are inherited and the paths for upward advancement narrowed for others.</td></tr>
<tr><td rowspan="2">Evidence assessment</td><td>Certainty of evidence</td><td>Strength of relationship</td></tr>
<tr><td>Moderate - strong
Evidence is associational and mechanism-based rather than causal. Strong evidence of 'sticky ceilings', especially at the very top of the wealth distribution. Strong consistent evidence of the mechanisms that connect high levels of wealth to lower social mobility, including contextual differences across countries.</td><td>Strong
There is a strong intergenerational transmission of advantages connected to high levels of wealth and these are in fact stronger when considered across multiple generations. There is also evidence that these dynamics are becoming stronger in recent years.</td></tr>
<tr><td>Threshold</td><td colspan="2">Relationship between wealth and social mobility is non-linear. The literature consistently finds marked steepening at the top (e.g. top 10%) but also some emerging evidence that the starkest 'sticky ceilings' are among the ultra-rich (top 0.1% / top 100 individuals).</td></tr>
<tr><td>Contextual factors</td><td colspan="2">• Financial market structures and regulation shape opportunities for wealth accumulation, investment returns and wealth preservation.
• Taxation of wealth, inheritances and capital gains influences the intergenerational transmission of wealth.
• Education systems affect the extent to which wealth can be converted into educational and labour-market advantage.
• Housing markets and residential segregation shape access to opportunity-rich neighbourhoods and local resources.
• The degree of wealth concentration and overall inequality may influence the scope for opportunity hoarding and the persistence of advantages across generations.</td></tr>
<tr><td>Evidence gaps</td><td colspan="2">• A precise threshold at which extreme wealth becomes socially harmful for social mobility is not found
• Evidence is strongest on sticky ceilings and the persistence of advantage among the wealthy, rather than on how extreme wealth affects the mobility prospects of less-wealthy groups.</td></tr>
</table>

- More research is needed on how contextual factors and institutional regimes moderate wealth-mobility relationships across countries – e.g. how they steepen wealth gradients at the top and reinforce rank persistence,
- Limited evidence on the role of wealth (rather than income) inequality in generating opportunity hoarding and mobility barriers.
    - Evidence remains concentrated in the US and a small number of European countries, with limited evidence from developing economies

Narrative review

By Irene Bucelli

Negative impact of wealth concentration on social mobility

The evidence points strongly to pronounced 'sticky ceilings', especially at the very top of the wealth distribution. There is also consistent evidence of mechanisms linked to high wealth levels that reinforce this persistence, including gifts, inheritances, differential returns to capital, and access to financial institutions and investment vehicles that support wealth accumulation across generations. A separate strand of evidence highlights mechanisms associated with wealth concentration: affluent families are often better able to convert economic resources into educational and labour-market advantages, while wealth inequalities can shape local opportunity structures and facilitate opportunity hoarding. Although evidence directly assessing the impact of extreme wealth on the upward mobility of less well-off families remains limited, there is substantial evidence of pathways through which concentrated wealth may constrain mobility opportunities.

Wealth mobility

A consistent finding across countries is that wealth mobility declines sharply toward the top of the wealth distribution, producing a pronounced "sticky ceiling". Porta and Zapperi (2023) use longitudinal data from Italy and the US to explore whether the volatility of wealth is conditional on people's current levels of wealth. While theoretical models predict that wealth volatility scales proportionally with wealth, the empirical data show this holds only for the rich; for low-wealth households, wealth changes are driven by fixed-size shocks that make volatility independent of wealth. Wealth mobility slows markedly at the extremes of the wealth distribution—both among the very poor and the very rich. They thus find both "sticky floors" and "sticky ceilings," with the richest exhibiting especially persistent wealth positions driven by multiplicative capital returns. In both countries high wealth inequality and very high wealth levels at the top are associated with lower social (wealth) mobility. But the US, where wealth inequality is higher, displays lower mobility and worse associated social outcomes among the most disadvantaged (e.g. health, food insecurity).

Similar patterns emerge elsewhere in Europe. Audoly et al. (2025) use rich Norwegian administrative data over the life course and document highly segmented wealth mobility. Most individuals born in the top 20% or bottom 40% remain within those segments, while most mobility occurs in the middle.

Parental wealth is especially decisive for persistent top-tier status, reinforcing the idea of a sticky ceiling among the wealthiest households. In the UK, Reeves and Friedman (2024) use genealogical records, probate (inheritance and estate) records, and family background information to explore mobility dynamics and find that there is much less movement into and out of the top elite than is commonly assumed. While there has been a diversification in terms of gender, ethnicity and occupation, the people born into the top 1% of wealth are about as likely to reach elite positions today as they were over a century ago.

At the same time, popularized accounts of the increasing share of 'self-made' billionaires (Kaplan and Rauh, 2013; Watts, 2018) may suggest that a distinction should be made between the top of the top 20%, 10% or even 1% of the wealth distribution and the very wealthiest (e.g. 0.01%). A rise of "'self-made'" billionaires can be understood to imply at least some mobility into the very top of the distribution. Freund (2016) has for instance highlighted how a large portions of billionaires in developing countries are entrepreneurs creating successful multinational companies and accumulating large fortunes through them – pointing to how this is particularly evident in many East Asian economies, while the Middle East and North Africa are regions where the share of inherited wealth is growing and the share of company founders falling. This is also an area where a difference between Europe and the US has been underscored: Freund and Oliver (2016) find that the super-rich in the United States are more dynamic a group than in Europe, with a third of US billionaires inheriting their fortunes, compared to over half in Europe. 20 percent of inherited billionaires are fourth generation or later heirs in Europe, compared to 10 percent in the US. The median age of a company of a European billionaire is also older (61 years) compared to the US (42 years). Atkenson and Irie (2022) find that in the US rapid increases in top wealth shares are associated with the creation of new fortunes, particularly through entrepreneurial risk-taking and ownership of family firms. At the same time, they caution that while these results account for the rapid dynamics shaping the top tail of the wealth distribution and 'self-made' fortunes, they do not imply high levels of wealth mobility in general.

The use of 'self-made' wealth to indicate high levels of mobility has been questioned. In the US, Korom et al (2017) examined the factors that increase or decrease the likelihood of remaining in the American Forbes 400 ranking (1982–2013). They find that while 'self-made' newcomers millionaires are more likely to outpace heirs at the very top, they also experience more volatility, while heirs are more likely to fall gradually in ranking but remain listed over time. Their assessment finds that while entrepreneurship matters for becoming super-rich, it is foremost the ability of rich family dynasties to retain control over corporations and to access sophisticated financial advice that makes fortunes last. In the UK, Schimpfössl and Monteath (2022) examined the social backgrounds of individuals in the top 20% of the British Sunday Times Rich List. They find that 81% were born into nobility or dynastic business families, and/or educated at famous schools. In recent research on the background of billionaires in the United States, Stubenbord (2026a) linked data for 1,168 Americans on the Forbes 400 (1982–2025) and World's Billionaires (1996–2025) lists to their childhood Census records (1900–1950). He finds that future billionaires grew up, at the median, in a household at the 93rd percentile of the housing wealth distribution, and that they were more than fifteen times as likely as their contemporaries to grow up with live-in servants. Even among those classified as 'self-made', median childhood housing wealth stood at the 83rd percentile and median parental occupational income at the 82nd percentile. Even the 'self-made' rate of 13 percent employing one servant, while well below that of those classified as heirs, was six times greater than the national rate. These findings suggest that the seeming decline in inherited

extreme wealth reflects a reordering within the upper elite stratum rather than widespread mobility from the middle or bottom of the distribution.

At the same time, studies focusing on persistence rather than origin of wealth of the ultra-rich indicate declining turnover and rising persistence among top wealth holders. Fernholz and Hagler (2023) focus on the U.S. Forbes 400 and document rising wealth concentration and declining mobility among the ultra-rich since the mid-1980s. Entry into the top ranks has become less frequent, and rank persistence has strengthened considerably over time - for the top 200 dynastic families ranked using aggregate wealth holdings, five-year rank correlations went from around 0.55 in the late 1980s to more than 0.7 after 2010 (where 1 on the scale would indicate perfect persistence and no mobility). Other studies have also shown that that of the ultra-rich has become a circle less permeable to new entrants (Gomez 2023). Year-to-year continuity among the ultra-rich is even stronger. Using Forbes rich-list data, Remington (2023) uses panel regressions to reveal near-unit persistence of wealth for the top 100 individuals, indicating a strong 'sticky ceiling' in which existing wealth is almost a one-to-one function of last year's wealth. The study finds that individual-level wealth accumulates at a rate proportional to the level of wealth and regression results show a monotonic gradient, with the strongest persistence at the top (top 100) and much lower, even negative, for lower tiers of the Forbes 400.

Using multigenerational Swedish administrative data, Adermon (2018) estimates wealth mobility across up to four generations. While the parent–child wealth relationship is broadly linear, it becomes markedly steeper at the top 10% and even stronger when grandparents are taken into account. At the top 10% of the distribution, the grandparent–grandchild association exceeds the parent–child association, suggesting that wealth advantages re-emerge over longer horizons. This is strong evidence of a steeper negative effect on social mobility at the top of the wealth distribution, even stronger in a multigenerational perspective: even though children of the very rich may fall down the wealth distribution, family wealth advantages reappear strongly when considering multiple generations, revealing deep dynastic persistence at the top. There is also evidence that the level of intergenerational wealth transmission is increasing. Gregg and Kanabar (2023) for instance use panel data to explore intergenerational wealth elasticity and rank-rank correlation for individuals at the same age born 2, 4 and 6 years apart. They show higher intergenerational wealth persistence in younger age cohorts in the UK and evidence a high speed of change, with the link between parents' and children's wealth becoming stronger for younger cohorts now than it was for people of the same age even just born 6 years apart. This shows that wealth advantage is becoming increasingly self-reinforcing across generations.

The strongest evidence of stickiness concerns the top of the wealth distribution. Hansen (2014) examines the growing role of parental wealth in reaching the very top of the wealth distribution (top 1% and 0.1%). Based on Norwegian data, this study finds that children of the wealthiest parents (top 1%) now make up a disproportionate share of top wealth holders, a trend that intensified after the mid-2000s. The study does not establish causation but provides evidence of greater concentration and reduced mobility at the very top (not linked to entrepreneurial success but to parental background).

Inheritances, gifts and capital accumulation

There is consistent evidence across countries of the key role played by inheritances and gifts in relation to wealth accumulation across generations and wealth mobility. Benhabib et al (2021) produce a model-based analysis using U.S. wealth and mobility data to focus on wealth mobility across generations and the mechanisms shaping it. They show that savings and bequests rate differentials reduce social mobility, inducing the rich to get richer by accumulating wealth at higher rates. Capital income risks also contribute to wealth accumulation at the very top but also allow for downward mobility. The relationship between wealth and social mobility is nonlinear and asymmetric across the wealth distribution, as social mobility reduces at the very top due to savings, bequests rate differentials and capital income risks. In the UK, Krutikova et al (2024) find that 'unearned' sources of income such as returns to wealth and wealth transfers received have become an increasingly important driver of the persistence across generations in total lifetime income. Only around half of intergenerational wealth persistence at age 30 can be explained by differences in education and earnings between those with more or less wealthy parents. The intergenerational persistence in wealth is driven in part by those with wealthy parents saving their income at a higher rate but by higher returns to wealth and larger amounts of intergenerational financial transfers (including both gifts and inheritances).

Some studies suggest that inheritances play an important role in explaining wealth differences among the wealthy, but may be less decisive in distinguishing the extremely wealthy from other affluent groups. Comparing Britain, France, Germany, Ireland, Italy, Spain and the United States, Nolan et al. (2022) find that both the incidence and value of wealth transfers rise steadily across the wealth distribution. In all countries examined, inheritances and gifts are highly concentrated among already wealthy households: the top quarter of the wealth distribution receives the large majority of transferred wealth, ranging from around two-thirds of all transfers in Britain and France to more than three-quarters in Germany, Ireland, Spain and the United States. By contrast, the bottom quarter receives only a very small share of total transferred wealth. However, the authors find that the very top of the distribution is not generally distinguished by being substantially more likely to have received a transfer than households in the broader upper wealth groups. While the probability of receiving an inheritance or gift increases consistently up the wealth distribution, the top 1 per cent is often not markedly different from the top decile, with France and Spain among the main exceptions. Moreover, a substantial minority of households at the very top report no inheritance or gift receipt at all. More than one-third of those in the top 10 per cent or top 1 per cent in Britain had received no transfer, while in the United States this applied to around 60 per cent of the top 1 per cent.

At the same time, several studies point to the persistence of dynastic fortunes in some European countries (Freund and Oliver, 2016). In Germany, Tisch and Ischinsky (2023) find one third of the companies associated with today's largest fortunes were founded before World War I, and about 8 percent can be traced back to fortunes on rich lists from 1913. These entrenched fortunes also rank on average higher on the rich list than those of younger origin. In Switzerland, Baselgia and Martinez (2026) find that about 60% of Switzerland's super-rich are heirs and that wealth mobility at the very top of the distribution has decreased significantly in the recent years: in 2000, 70% of those listed as super-rich were still present five years later, in 2015 this rose to 82%.

Adermon (2018) shows that inheritances and gifts explain at least half of the strong wealth persistence found in Sweden, while earnings and education account for only a quarter. Although not a mobility study

per se, Palomino (2021) shows how wealth transfers steepen wealth gradients at the top, reinforcing rank persistence. This cross-country study (France, Spain, Great Britain, and the U.S.) quantifies how much wealth inequality is explained by intergenerational transfers and family background (parental education or occupation). It finds that inheritances account for roughly one-third of total wealth inequality and matter substantially more than family background - in different countries the contributions of inherited wealth and gifts to wealth inequality is around two or three times that of family background. Drawing on cross-country European data, Eurofound (2021) shows that wealth mobility is substantially lower than income mobility and is strongly shaped by parental wealth. Housing wealth and inheritances play a major role in wealth persistence across generations, often outweighing the benefits of higher education. The findings suggest that, across many EU countries, education alone is insufficient to counteract inherited wealth advantages. Salas-Rojo and Rodríguez (2022) examine the share of wealth inequality explained by inheritances in the US, Canada, Italy and Spain. They find that even including parental education, inheritances are still the main contributor.

Morelli et al (2025) find evidence that, while inter-generational transfers tend to reduce relative wealth inequality, there are threshold levels in size of inheritance above which transfers become disequalising. These heterogeneous, non-monotonic effects of transfers on wealth inequality are found above the ninety-fifth percentile of the national transfer distribution - estimated at € 303,500 for Germany, € 221,500 for France, € 346,500 for Italy, € 127,500 for Spain, £ 244,000 for Britain and $ 507,000 for the US.

Krutikova et al (2024) note the data challenges in estimating the role of inheritances and wealth transfers at the very top of the wealth distribution (the 0.01% as opposed to the 1% which is the focus of their analysis. Challenges also pertain to the fact that the very wealthiest would have opportunities to transmit advantage across generations in ways that are even harder to robustly identify, such as an ability to influence political processes to favour a family member's business (discussed below).

Finance, wealth returns and financial institutions

Freund and Oliver (2016) find that the financial sector and technology-related sectors together are largely responsible for the rise in US wealth and drive the rise in fortunes among 'self-made' US billionaires. At the same time, they point to how rents are higher in the United States than Europe, with the number of US billionaires expanding rapidly, and getting richer on average over time, especially when wealth is connected to resources, non-tradables, or finance. The role of finance as a wealth accumulation driver is also greater in the US, with over 80% of hedge fund billionaires in the US and a much sharper increase in total hedge fund real net worth compared to other advanced economies, where it stayed more or less constant in the 1996-2015 period they consider. Other studies corroborate these results. Korom et al (2017) also identify the growing importance of technology-based businesses and finance in the US. In 1982 finance was the primary wealth sector for only 4.6 percent of all multimillionaires, but in 2012, it represented the main source of wealth for 20.7 percent, more than all other areas. Other studies underscore the difference between Europe and the US: for instance,

Blanchet and Martínez-Toledano (2023) find that a stronger rise in house prices relative to financial assets in Europe compared to the US appears to explain why Europe has experienced a more moderate rise in wealth concentration since the mid-1980s.

A number of studies have demonstrated that investment assets for the wealthiest experience higher returns than those for the less-wealthy, even adjusted for risk (Remington, 2023; Saez & Zucman, 2020). Blanchet (2023) finds that in the US since 1962 the main drivers of the rise of the top 1% wealth share since the 1980s have been higher savings at the top, capital gains and higher rates of return on wealth, and higher labour income inequality in decreasing level of importance. Remington (2023) uses data from Forbes lists, WID and Credit Suisse and finds evidence of rent extraction in the US: in the US, wealth flows to wealth at a rate proportional to the relative size of wealth and the aggregate profit rate has risen while both investment and capital productivity have declined.

Benhabib et a (2021) explore the relationship between wealth and social mobility and find that the source of wealth appears to shape non-linearity: mobility is higher when wealth is linked to income earnings and reduces when wealth is accumulated through capital. This is the result of differential saving and bequest rates but also higher returns on capital. Fagereng et al (2020) also show this for Norway. Capital returns are heterogenous and increase significantly at the top end of the wealth distribution. The authors also suggest that this heterogeneity in returns to wealth may help explaining why countries with very different levels of concentration of income – such as Norway and the US – have similar levels of wealth concentration at the top.

Stubenbord (2026) studied the persistence at the top of the global wealth distribution and identifies how, before the 2008 Global Financial Crisis, market downturns routinely displaced billionaires, but that since the relationship largely disappeared and top fortunes have grown increasingly durable. He argues that this points to the role of financial institutions in stabilizing asset values and shaping financial markets. The greater role of finance in relation to wealth accumulation in some countries can be hardly separated by the political institutions that shaped its regulation (Remington, 2023). Tax policy that has become more favourable to capital income contributes to the dynamics of wealth accumulation (Saez and Zucman, 2020). As an increasing share of the wealth and incomes derives from investments for the very rich, they are also able to invest a higher share of that capital to generate yet more returns. More broadly, Remington (2023) argues that equating a rise of 'self-made' wealth with mobility can be deceptive, as it overlooks the dynamics that see the very rich exert greater influence over regulatory and tax policy and deploy it to increase capital obtain higher incomes from both labour and capital. In some cases, influence over tax and regulatory rules, political capture, or corruption could also underlie the rise of 'self-made' billionaires (Remington, 2023). Political harms can thus be a key mechanism underpinning social mobility dynamics.

Baselgia and Martinez (2023; 2026) find that half of the super-rich individuals residing in Switzerland are foreign-born. They show the role of tax incentives in attracting foreign super-rich families, as well as how changes on tax regimes produced a significant fall in the stock of super-rich foreigners. This underscores the importance of institutional context but also the mobility of the super-rich, with implications on data and hence on claims around the nature of wealth in different countries.

Opportunity hoarding, social networks and educational institutions

Opportunity hoarding is a widely discussed mechanism underlying 'sticky ceilings' and low social mobility (OECD, 2018; McKnight, 2015). Families at the top are better able to secure and retain access to scarce, opportunity-enhancing resources—such as high-quality education, prestigious jobs, and influential networks—which limit competition and reduce mobility for others (OECD, 2018). In the U.S. Braga et al (2017) examine the link between family wealth and educational attainment using multivariate regression models. Even after controlling for income and parental education, wealth strongly predicts college completion, especially four-year degrees. The paper highlights education as a key indirect channel through which wealth inequality undermines social mobility, though it does not make direct causal claims about mobility itself.

There is good evidence that the education system can play a role in perpetuating the advantages of wealthy families, especially in the US. Chetty et al (2020; 2026a) show that access to elite higher education institutions is strongly patterned by family income and wealth. Admissions processes—particularly legacy preferences and non-academic criteria—allow affluent families to convert economic resources into educational and labour-market advantages, weakening education's traditional role as an equaliser. Chetty et al (2026a) document a sharply nonlinear relationship between parental income and admission to Ivy-Plus colleges, with attendance and admissions advantages rising steeply above the top 1% and 0.1% of the income distribution, rather than increasing smoothly across income ranks. These patterns can be stronger for the ultra-rich, both because they are more likely to belong to families with historical ties in elite institutions and because of their ability secure preferential admission pathways through donations (Fink, 2025; Castilla and Poskanzer, 2022; Stevens, 2007). Reducing biases in admission in top institutions would significantly boost mobility: and estimating the impact of alternative admission rules using need-affirmative allocations as a counterfactual, Chetty et al (2020) estimate a reduction in intergenerational income persistence among college students by about 25% while the gap in children's chances of reaching the top 1% between children from low-income and high-income families reduces by nearly a third. Similar findings in terms of educational disparities and their effect on social mobility are also found in other countries, such as the UK (Eyles et al, 2022; Reeves and Friedman, 2024). McKnight (2015) shows evidence of how more advantaged families hoard opportunities in the education system (places in Grammar schools, private schooling) which in turn translate in greater opportunities in the labour market. Not only are more affluent families able to protect children from downward mobility, but this directly depresses upward mobility, with fewer opportunities available to children from disadvantaged backgrounds, even with high attainment levels.

Place-based opportunity structures and spatial inequality

There is a vast body of work on neighbourhood and spatial mechanisms affecting social mobility (Bell et al, 2023). The evidence base is richer in relation to spatial income differences rather than wealth

(Durlauf et al. 2022; Durlauf and Sheshadri; 2018; Chetty et al; 2014; 2026b) highlighting residential segregation, peer effects, and local public goods as pathways linking income inequality to lower mobility. High inequality environments tend to amplify segregation by income or wealth, reducing exposure of children from disadvantaged backgrounds to beneficial peers, schools, and labour-market networks. Chetty et al (2026b) have found convincing causal evidence of the area effects, as opposed to population sorting.

Schectl (2024) focused on wealth and adopting this approach to examine spatial inequalities in relation to wealth. This paper finds a negative association between childhood exposure to wealth inequality at the commuting zone level and mobility outcomes later in life. Low-income children growing up in commuting zones with higher wealth inequality achieve lower incomes in adulthood compared to their peers growing up in commuting zones with lower wealth inequality. This relationship persists when accounting for area levels of income, area wealth levels, and income inequality, as well as other economic and demographic characteristics. Static counterfactual simulations suggest that childhood exposure to wealth inequality has more significant consequences for upward income mobility than income inequality. Wealth inequality has a stronger association with upward income mobility than income inequality measured in the same locations: counterfactual analysis reducing both income inequality and wealth inequality shows that a 50% reduction in wealth inequality is associated with roughly a 12.5/13 percentile increase in upward mobility (compared to just 1 percentile for income inequality). The paper notes that the system of financing local public sectors in the US predominantly relies on property taxation, linking local wealth directly to the provision of local public services and their varying quality across places. Wealth-segregated public spaces and specialized economies can thus contribute to the crowding-out of affordable services as local infrastructure becomes oriented towards the needs of affluent residents.

These studies point to how economic inequalities shape local opportunity structures which in turn affect social mobility. At the same time, the focus on wealth inequality – which also often leads to investigation of the role of homeownership in the intergenerational transmission of wealth (Bell et al., 2023; Blanden and Machin, 2017) is less relevant to questions around the specific role of extreme wealth. A different approach, focused on the processes and geography of elite formation, shows how capital shapes space – and consequently local opportunity environments. Burrows et al (2017) find growing segregation among the super-rich as their numbers have grown in the UK. They show that this increase has coincided with a displacement of the poor and middle classes in certain London areas, transforming local housing markets, commercial landscapes, and services. While not addressing impacts on social mobility directly, these types of study point to how spatial sorting reduces exposure of non-elite families to high-opportunity environments.

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Economic harms - growth

Economic harms – growth

Report card

<table>
<tr><td>How can extreme wealth harm growth?</td><td colspan="2">Extreme wealth concentration can hinder economic growth by limiting the efficient allocation of resources and weakening key drivers of long-term development. The literature identifies a number of channels through which this may occur, including capital misallocation, policy capture and rent-seeking, reduced innovation and entrepreneurship, tighter credit constraints that restrict investment in human capital and productive activities, and the diversion of wealth into non-productive assets. These effects may be particularly pronounced when wealth is inherited or accumulated through political connections rather than through productive entrepreneurial activity.</td></tr>
<tr><td rowspan="2">Evidence assessment</td><td>Certainty of evidence</td><td>Strength of relationship</td></tr>
<tr><td>Moderate to high
Empirical evidence on the wealth-inequality growth nexus, though newer than that on income, provides clearer and more consistent evidence of negative effects. The certainty rating is high because: (i) the mechanisms are more directly asset-based and align more closely with theoretical channels (credit constraints, rent-seeking, capital misallocation), (ii) wealth measures – though imperfect – capture accumulated assets rather than flows, and (iii) results are more stable across specifications and samples.</td><td>Strong
Empirical evidence finds a robust and predominantly negative relationship with growth, particularly through channels of capital misallocation, policy capture, low innovation, credit constraints, and portfolio shifts into unproductive assets.</td></tr>
<tr><td>Threshold</td><td colspan="2">The dominant finding is that wealth concentration is negatively associated with economic growth. Most studies estimate linear effects and do not test for non-linearities. Among the studies that do, evidence generally suggests inverted-U patterns, with growth effects becoming negative once wealth concentration reaches high levels. Explicit threshold estimates remain relatively rare and are largely confined to country-specific analyses.</td></tr>
<tr><td>Contextual factors</td><td colspan="2">• Institutional quality: productive institutions vs institutions that enable rent-seeking, monopoly power and elite capture
• Financial development: deeper financial systems can amplify or attenuate the negative effects of extreme wealth concentration depending on how they influence credit allocation and asset accumulation
• Stage of development: while thresholds between rich and poor countries are well established in the income-inequality literature, whether similar non-linearities exist for wealth inequality remains largely unexplored.
• Governance strength and institutional quality: the quality of formal institutions (e.g. legal regulatory and competition frameworks) and governance capacity (their implementation and enforcement) may moderate the harms of extreme wealth concentration.
• Political connectedness of wealth: growth effects appear to differ according to how wealth is accumulated, with politically connected wealth generally associated with more adverse outcomes than entrepreneurial wealth.</td></tr>
</table>

Evidence gaps	• Limited identification of thresholds and non-linearities, particularly for wealth inequality (limited to specific countries or subsample of low-income countries) • Broader and more systematic distinction between sources of wealth (inherited, politically connected, market-generated) and between types of capital (e.g., luxury vs productive) across different contexts. • Improved top-tail wealth data including offshore assets • Assess heterogeneity in the growth effects of wealth inequality across development levels, financial development, and institutional contexts - for example, between productive institutions and those that facilitate rent-seeking and elite capture. • Country-specific studies and or regional/sub-national analyses
Examples of strong studies	Bagchi, S., & Svejnar, J. (2015). Does wealth inequality matter for growth? The effect of billionaire wealth, income distribution, and poverty. Journal of Comparative Economics, 43(3), 505–530. https://doi.org/10.1016/j.jce.2015.04.002 (distinguishes politically connected vs unconnected wealth; only politically connected wealth reduces growth) Bagchi, Svejnar & Bischoff (2016). Does Wealth Distribution and the Source of Wealth Matter for Economic Growth? Inherited v. Uninherited Billionaire Wealth and Billionaires' Political Connections. In: Basu, K., Stiglitz, J.E. (eds) Inequality and Growth: Patterns and Policy. International Economics Association. Palgrave Macmillan, London. https://doi.org/10.1057/9781137554598_5 (decomposition of self-made vs inherited wealth; inherited and connected wealth slow growth) Dávila-Fernández, M. J., & Punzo, L. F. (2021). The Kuznets curve of the rich. *Economic Systems*, 45(4), Article 100910. https://doi.org/10.1016/j.ecosys.2021.100910 (inverted-U for top 1% wealth share (turning point ~25%) and for 0.1%) Islam, Md. R., & McGillivray, M. (2020). Wealth inequality, governance and economic growth. *Economic Modelling*, 88, 1–13. https://doi.org/10.1016/j.econmod.2019.06.017 (dynamic panel; top-1% wealth shares strongly reduce growth; governance mitigates effects) Konaté, B. S., & Hanchane, S. (2026). Nonlinear effects of wealth inequality on economic growth: A semiparametric panel analysis of low-income countries. *Development Studies Research, 13(1).* https://doi.org/10.1080/21665095.2026.2622950 (inverted-U with wealth-Gini threshold around 0.79 but low-income countries specific evidence) Policardo, L., & Sanchez Carrera, E. J. (2024). Wealth inequality and economic growth: Evidence from the US and France. *Socio-Economic Planning Sciences*, 92, Article 101804. https://doi.org/10.1016/j.seps.2024.101804 (luxury-asset channel; strong negative effects in France) Steenbrink & Skali (2026). Wealth inequality and economic growth: Evidence from the World Inequality Database. *World Development*, 199, 107250. https://doi.org/10.1016/j.worlddev.2025.107250 (global panel; linear negative relationship between wealth Gini and growth)

Economic harms - growth

Narrative review

by Eleni Karagiannaki

Background

This report provides evidence on the economic harms of extreme wealth, focusing in particular on growth as the focal point of the evidence. Many of the mechanisms through which extreme wealth may affect growth, however, may also give rise to other independent economic and social harms. For the purposes of this review, it is assumed that if extreme wealth impedes growth which constitutes an economic harm. However, it must be stressed that this does not imply that all economic growth is inherently beneficial - the composition of that growth, environmentally and distributionally, also matter - but these are separate consideration and fall outside the scope of the present review.

The literature on the relationship between inequality and growth has tended to rely on income inequality whereas the literature on the wealth, wealth inequality and economic growth nexus is still at relatively early stages. Although income and wealth are often treated as interchangeable indicators of the distribution in growth empirical literature, they are analytically distinct concepts and may therefore have different effects on growth. Income is a *flow* (i.e. a period-specific return to labour and capital) while wealth is a *stock* of net assets that can compound over time, serve as collateral, be transferred across generations and when sufficiently concentrated can be strategically deployed to shape market structures and the allocation of capital. Thus, the distinction between income and wealth is not merely conceptual but can explain why their effects on long-run growth can diverge. Many of the key theoretical channels linking inequality and growth pertain more naturally to wealth than to income: wealth disparities create differences in opportunity and control that income differences alone cannot capture (Ehrhart, 2009; Deininger & Olinto, 2000). Highly concentrated wealth can reinforce entrenched advantages, distort competition, and shift capital allocation away from productive uses. At the same time, insufficient wealth at the bottom which itself may be a byproduct of high wealth concentration constraining human-capital formation and entrepreneurial entry limiting the economy's capacity for innovation and growth.

Given that many of the channels linking inequality and growth operate more directly through wealth, empirical work that measures wealth directly typically uncovers stronger and more consistent links to long-run growth than studies that rely on income inequality alone (Bagchi & Svejnar, 2015; Islam & McGillivray, 2020; Morck, Stangeland & Yeung, 2000). Before turning to the recent and expanding wealth inequality-growth literature, it is useful to situate it against the income inequality evidence, which shaped much of the initial debate on the impact of inequality on growth.

Income inequality and growth: A context-dependent relationship

Early empirical work on the inequality–growth relationship focused primarily on income inequality, and the prevailing evidence, based largely on cross-country cross-sectional analyses, suggested a negative association between income inequality and economic growth. These early studies relied on cross-country differences to estimate long-run structural relationships, and the consistent negative coefficients were widely interpreted as evidence that unequal societies tended to grow more slowly (Barro and Xavier Sala-i-Martin, 1995; Alesina and Perotti, 1994; Alesina and Rodrik 1994; Persson and Tabellini, 1994; Birdsall et al., 1995; Clarke, 1995). However, this approach was later criticised for its vulnerability to omitted-variable bias and unobserved country heterogeneity, prompting a shift toward dynamic panel-based cross-country growth models estimations. From the late 1990s onward, a strand

of research emerged that reached the opposite conclusion. This shift was made possible by the important work of Deininger and Squire (1996), who compiled a much larger and more comprehensive cross-country panel dataset on inequality than had previously been available, enabling more advanced econometric techniques to reassess the inequality–growth relationship.

Drawing on this new data, Benhabib and Spiegel (1998), Forbes (2000), and Li and Zou (1998) used fixed-effects estimators to address omitted country-specific heterogeneity that had biased earlier cross-sectional OLS estimates. Forbes (2000), in a reassessment of the early inequality-growth literature, argues that the negative relationship reported in cross-country studies is weakened by a lack of robustness to sensitivity checks, measurement error, and omitted-variable bias, casting doubt on the validity of those results. Using more consistent inequality data and a panel estimator, Forbes finds that once data quality, period length, and estimation technique are improved, the short-run relationship becomes robustly positive: a one-point rise in the income Gini is associated with roughly 0.36-0.58 percentage-point faster short- to medium-run growth. However, subsequent work has shown that this positive finding is largely driven by methodological limitations. The main criticisms was that studies relying on difference-GMM estimators which remove fixed effects by differencing the data strips away most meaningful within-country variation and leaves the model with weak instruments which tends to inflate coefficients and bias them upward. Lee and Son (2016) revisit the inequality-growth relationship using a more advanced system-GMM estimator (that combines equations in levels and differences, providing stronger instruments, better handling of persistence and substantially reducing bias) along with a larger and more recent dataset and richer controls, they find that inequality tends to reduce growth in developing countries while has little effect in richer ones.

Barro (2000) using a large cross-country panel covering the 1965-1995 and adopting a three-stage least squares (3SLS) approach, treating country-specific error components as random, and also arguing that the differencing implicit in fixed-effects estimation (as in Forbes, 2000) exacerbates bias in the presence of measurement error), finds no significant relationship between inequality and growth. However, when he breaks up his sample into poor and rich countries, he finds a negative relationship between inequality and growth in the sample of poor countries and a positive relationship in the sample of rich countries. The growth regressions show the inequality coefficient turn from negative to positive at an income threshold of roughly $2,070 per capita(1985 USD). The estimated marginal effects suggest that a one-standard-deviation rise in inequality reduces growth by about 0.09 percentage points in low-income countries but raises it by about 0.12 percentage points in high-income ones. Banerjee and Duflo (2003) also identify non-linearities in the inequality-growth relationship, but for changes in income inequality rather than its level. They show that growth follows an inverted-U pattern with respect to changes in inequality: any substantial rise or fall in inequality is followed by slower subsequent economic growth i.e. growth is highest when inequality remains relatively stable and falls when inequality moves sharply in either direction. Their flexible, non-parametric and piecewise estimations reveal that previous studies' positive linear findings arise from model misspecification, since the true relationship is asymmetric and non-linear. Rather than inequality itself being uniformly good or bad for growth, their results imply that distributional volatility is disruptive: large changes in inequality signal deeper structural shocks that tend to depress growth. Voitchovsky (2005) finds that inequality has differential effects across the distribution: rising inequality at the top is associated with higher growth, whereas increases at the bottom are associated with lower growth.

More recently Hailemariam and Dzhumashev (2020) using a large global panel dataset covering countries from 1965 to 2014 and applying advanced dynamic panel estimators to address problems of heterogeneity, endogeneity and measurement errors find that the inequality-growth relationship is non-linear, taking the shape of an inverted U-curve: inequality is growth-enhancing at low to moderate levels but growth-reducing once it exceeds a certain threshold. Importantly, their findings indicate that

the threshold differs sharply between rich and poor economies. In advanced economies, inequality turns harmful at relatively low levels (around a net Gini of approximately 0.24), whereas in developing economies at a much higher level (at approximately 0.41). The magnitude of these effects is economically meaningful: at low levels of inequality, a 1% rise in the Gini is associated with roughly 0.8% higher growth, but once inequality passes the threshold, an additional 1% rise reduces growth by about 0.09%, pointing to a threshold effect in the impact of inequality on growth.

Moon & Kim, 2022, also confirms thresholds and dynamic heterogeneity. Using a large international panel of 77 countries from 1982 to 2019 they show that the inequality–growth relationship is not linear and identify a threshold at about log(Gini) at around 3.43, which corresponds to a Gini of around 31. They further show that in countries where inequality is relatively low, further reducing it tends to slow economic growth (which they interpret as evidence that in already equal societies, additional equalisation may weaken incentives for saving, investment, and entrepreneurial effort mechanisms that support growth) while in countries with high inequality, reducing inequality has little or no negative effect, and may even help growth indirectly by easing distortions created by extreme disparities (such as social or political instability, credit constraints, or unequal access to opportunity).

Further evidence by Facchini, Jaeck and Kratou (2023) shows that the effect of inequality on economic growth depends on a country's institutional environment. Using an indicator of institutional quality that distinguishes productive institutions (which reward entrepreneurship) from rent-seeking institutions (which enable elite capture), they find that inequality is negatively associated with growth where rent-seeking dominates but can become growth-enhancing where institutions channel wealth accumulation into productive market-based activities. In their estimates, the coefficient on the Gini index ranges from approximately -0.12 to -0.25 in low-productivity institutional settings. However, a positive and significant interaction between inequality and institutional productivity implies that this adverse effect diminishes, and may ultimately turn positive, as institutions become more supportive of profit-seeking rather than rent-seeking behaviour..

In sum, the available empirical evidence using income inequality measures does not point to a single, universal relationship between inequality and economic growth. Instead, findings vary sharply across countries, periods of analysis, and stages of development as well as institutional quality that shape whether inequality affects rent extraction or promotes productive economic behaviour. Some studies report that, in the short to medium run, higher income inequality can coincide with faster growth while others find negative or no effects once country-specific factors are controlled for. Further evidence points to non-linear dynamics and heterogeneity in the effect depending on the level of development or income as well as on the level of institutional quality. These results underscore that the inequality–growth nexus is fundamentally non-linear and sensitive to underlying country conditions. In other words, the evidence shows that the growth effects of income are inherently context-dependent: inequality can coincide with growth in some settings, hinder it in others, and often produces non-linear and context dependent effects rather than linear or uniform outcomes.

Wealth inequality and growth: A more consistent negative relationship

Unlike the income-inequality literature, studies of wealth inequality consistently find a robust negative relationship between wealth concentration and economic growth. In a dynamic panel study covering 45 advanced, emerging and developing countries over the period 2000-2012, Islam and McGillivray (2020) show that one unit increase in the top-1% and top-10% wealth shares are associated with roughly 0.32-0.38 percentage points lower annual real GDP-per-capita growth with stronger effects for the top 1% wealth shares, with similar effects obtained using Forbes-based billionaire-wealth inequality measure. The stronger association for the top-1% share indicates that the growth consequences of wealth concentration vary across different parts of the wealth distribution, with

concentration at the very top appearing particularly harmful. However, the study does not establish whether this reflects a non-linear relationship between wealth concentration and growth. The paper further shows that stronger governance systematically attenuates the negative impact of wealth inequality on growth. Bagchi and Svejnar (2015) also use billionaire-wealth data from Forbes' annual global list to construct several measures of wealth inequality, normalising total billionaire wealth by GDP, the physical capital stock, or population. Using the billionaire-wealth-to-GDP as a measure of wealth concentration, they further distinguish between politically connected and politically unconnected billionaire wealth. A billionaire is classified as politically connected when extensive searches of global news sources indicate that their rise to billionaire status would not have been possible without political support, favouritism, or explicit government backing. Their analysis shows that the negative effect of wealth inequality on economic growth is exclusively driven by politically connected wealth, whereas market-based, unconnected wealth has no statistically significant impact. The estimated coefficients are large and robust: a one-standard-deviation increase in politically connected wealth inequality reduces annual per-capita growth by approximately 0.49-0.60 percentage points (Bagchi & Svejnar, 2015).

Building on this, Bagchi, Svejnar and Bischoff (2016) decompose extreme wealth into three components: (i) self-made, politically unconnected; (ii) self-made, politically connected; and (iii) inherited wealth. They show that only politically connected and inherited wealth are systematically associated with slower economic growth, while self-made, politically unconnected wealth has no significant effect. This decomposition underscores that it is not market-generated wealth but entrenchment and political connection that drive the growth-reducing effects of extreme wealth concentration, distorting capital allocation and reinforcing unproductive, rent-preserving activities.

Steenbrink and Skali (2026), using wealth inequality data from the World Inequality Database for 165 countries (1995-2019)- measured by both the wealth Gini and the top 1% wealth share- find a linear, monotonic negative relationship between wealth inequality and economic growth. The estimated effect is economically substantial: a one-standard-deviation increase in the wealth Gini reduces annual per-capita growth by around 0.34 percentage points, implying that countries with lower wealth inequality can double their living standards roughly a decade faster than otherwise similar countries with high inequality. Importantly, when tested in identical empirical frameworks, income inequality and poverty shows no significant association with growth – emphasising that income Gini and poverty rates do not capture the structural, asset-based disparities that shape long-run e/conomic performance. The negative wealth-growth relationship is highly robust across specifications, estimation techniques (i.e. cross-sectional models, fixed-effects panels, lag structures, and dynamic estimators) and holds for both the wealth Gini, top-end and wealth shares. Interestingly, the study detects no thresholds, non-linearities, or heterogeneity by income level, institutional quality, education, openness, or macroeconomic conditions (suggesting that the adverse effects of wealth inequality is broad-based rather context-dependant as the effect of income inequality).

While the literature above identifies a largely linear and monotonic negative relationship between wealth inequality and growth, a smaller and more recent set of country-specific analyses points to important non-linear dynamics. In particular, Dávila-Fernández and Punzo (2020) show that the relationship between the top 1% wealth share and long-run output growth in France and the United States follows an inverted-U pattern. They estimate that growth is maximised at an intermediate level of top-end wealth concentration (around 25% for the top 1% share), with the United States – where the share is closer to 40% – operating on the declining side of the curve and experiencing correspondingly slower growth.

Further evidence for non-linear effects is provided by Policardo and Carrera (2024) who use data from the World Inequality Database to examine how changes in the top 10% wealth share affect growth in

France and the United States. Their analysis distinguishes between productive capital and luxury non-productive assets – high-end real estate, art, jewellery, and other status-oriented goods that store value but do not raise productive capacity – allowing them to track how shifts in household portfolios shape aggregate outcomes. Across a range of methods, the paper finds that increases in the top-10% wealth share consistently reduce growth in France but not in the US. The authors attribute this to differences in asset composition: because luxury assets are more widely held across the wealth distribution in France, rising wealth concentration is associated with a shift of wealth away from productive capital and towards assets with weaker growth effects. In the United States, by contrast, the increase in top wealth shares produces only modest negative effects which only appear primarily once debt and asset-composition controls are added. The authors argue that this is consistent with the much smaller share of luxury assets held outside the top of the distribution in the US. The study also identifies non-linearities: in France, higher top-end shares become increasingly harmful once inequality passes a certain level (which however they do not specify), whereas in the U.S. the relationship is essentially flat at already high levels of concentration.

Further support for non-linear effects comes from Konaté and Hanchane (2026), who identify an inverted-U relationship for low-income countries, with a turning point around a wealth Gini of approximately 0.79. Examining 121 low-income countries over 1995-2019 and using a semiparametric approach that does not impose linearity, they find that moderate inequality can support growth, but once the wealth Gini exceeds roughly 0.79, the effect turns negative. Strikingly, the average wealth Gini in most countries in the sample is about 0.782, suggesting that many countries are already at or above the point where inequality begins to hinder growth. Although not modelling the mechanisms behind this relationship they interpret this pattern as reflecting a balance between the investment-enhancing role of some concentration and the growth-damaging effects of extreme inequality – including the role of wealth concentration on credit constraints, weak human-capital formation, and sociopolitical instability – once concentration becomes excessive (more discussion on the next section).

Although they do not estimate non-linearities in the effects of wealth concentration on growth, Matusche and Wacks (2022) provide further evidence about the harmful effects of high wealth inequality showing that its consequences extend beyond growth outcomes to the functioning and effectiveness of macroeconomic policy. In their analysis of the United States and the Euro Area, they show that monetary policy becomes more contractionary in real terms when wealth is highly concentrated – industrial production falls by an additional 2.1% under a contractionary shock and unemployment rises more sharply in high-inequality regimes, revealing that wealth concentration amplifies the real effects of monetary tightening and increases macroeconomic fragility. Further, Chroufa and Chtourou (2023) provide evidence for MENA countries, showing that the growth effect of wealth inequality depends on the level of financial development: deeper financial systems amplify the negative impact of wealth inequality on growth, indicating that the inequality-growth relationship is conditional on financial-sector development. Their estimated threshold in the financial-development index shows that wealth concentration depresses growth in both low- and high-finance regimes, with the negative effect becoming even stronger as financial systems deepen. Put differently, Chroufa and Chtourou's (2023) findings imply that it is not wealth inequality alone that shapes growth outcomes, but the way high inequality interacts with financial development and institutional structures. When wealth is highly concentrated, monetary policy becomes more contractionary while financial development magnifies rather than mitigates the growth-reducing effects of wealth concentration, with quality of institutions playing a decisive role.

Positive and negative mechanisms in the inequality-growth relationship

The literature on inequality and growth has often failed to distinguish clearly between income and wealth despite the fact that they operate through different channels. Rising inequality has been linked to a wide set of potential growth-reducing mechanisms, ranging from weakened democratic responsiveness and political capture to tighter credit constraints, socio-political instability, weaker aggregate demand and reduced investment in human and public capital. Yet these mechanisms have typically been analysed without distinguishing between wealth which reflects accumulated stock of assets and income which represents flows of resources, despite the fact that evidence for a growth-reducing effect of inequality is generally stronger when inequality is measured in terms of wealth or asset ownership rather than income. Deininger and Olinto (2000), for example, show that asset inequality has a robust negative effect on growth, whereas comparable income-inequality measures are much weaker and less consistently related to growth outcomes, suggesting that asset-based measures more closely capture the underlying mechanisms emphasised in theory. Moreover, the evidence suggests that the growth effects of wealth inequality depend critically on who holds wealth, how that wealth was acquired (e.g. politically connected versus unconnected, or inherited versus self-made), and the institutional environment in which it is held. Together, these insights highlight why wealth inequality/concentration, rather than income inequality/, is more strongly associated with long-run growth. The remainder of this section examines the specific mechanisms proposed in literature through which inequality shapes growth dynamics, drawing on evidence from the empirical income inequality and wealth inequality literatures.

Savings, capital allocation, accumulation and entrepreneurship: Traditional growth theory posits that inequality may increase aggregate saving and capital accumulation, thereby stimulating economic growth (Kaldor, 1955; Kalecki, 1971). The central argument is that high-income households share a larger share of their income, so greater inequality increases aggregate savings and finances higher investment making inequality a key driver of growth. A similar argument is made by Bourguignon (2004), who emphasises that the greater inequality can support more capital accumulation by concentrating resources among households that save a higher share of the income. A related mechanism operates through entrepreneurship: more concentrated wealth reduces the effective risk for affluent households, increasing their capacity to undertake investments that raise productivity and growth.

Much of the empirical evidence reporting a positive effect between income inequality and growth (e.g. Benhabib & Spiegel, 1998; Forbes, 2000; Li & Zou, 1998) has interpreted this result through the lens of the savings-investment channel. The wealth inequality -growth literature also provides support for the operation of the saving and investment channel as driver of growth: in the cross-country analyses of Motahar & Mamipour, (2025), investment appears as the sole positive mediator linking wealth inequality to growth, although its effect is typically outweighed by much larger negative channels including reduced innovation, greater social instability, weaker aggregate demand, and lower human-capital formation.

Evidence from structural macroeconomic models also supports a potential entrepreneurship channel. Yang, Minford & Meenagh (2020) find that in the UK, wealth inequality can stimulate growth because wealthier households face lower effective costs of entrepreneurship, enabling them to undertake more productivity-enhancing investment. Using a structural heterogeneous-agent DSGE model estimated via indirect inference, they show that this mechanism can generate a self-reinforcing cycle in which rising inequality fuels rising growth, while policies that redistribute wealth reduce inequality but impose rising growth costs.

However, a growing body of evidence suggests that these positive effects are subject to important limits. The non-linearities identified in the relationship (Dávila-Fernández and Punzo, 2020; Konaté and Hanchane, 2026) support the presence of a threshold effect, implying that the savings and investment channel operates only up to a certain level of inequality, beyond which the negative effects of concentration begin to

dominate. Consistent with this interpretation, evidence from the wealth-inequality literature shows that extreme wealth concentration does not necessarily translate into productive capital formation. Policardo & Carrera (2024) argue that the growth effects of wealth inequality depend not only on the concentration of wealth but also on portfolio composition. Comparing France and the United States, they find that higher wealth inequality is associated with slower growth in France, which they attribute to differences in the allocation of wealth across asset types and across the wealth distribution, resulting in a larger share of wealth being held in non-productive assets rather than productive capital. Similarly, Motahar & Mamipour, (2025) show that although investment is the sole positive mediator from wealth inequality to growth, it is typically outweighed by negative channels (including innovation suppression, socio-political instability, demand constraints, and human-capital effects). Taken together, these findings suggest that the saving and entrepreneurship channel may operate only up to a certain level of wealth concentration, beyond which various mechanisms prevent additional wealth accumulation from translating into higher growth (see discussion below).

Innovation: Innovation is a central mechanism of economic growth. Depending on the underlying conditions, inequality can either stimulate or suppress innovative activity, thereby generating opposing effects on growth. For example, one argument is that inequality-induced increases in saving may support innovation. However, this effect alone is not sufficient to sustain innovation-driven growth as inequality and particularly extreme wealth concentration can suppress innovation through a number of channels including by redirecting capital toward rent-preserving rather than productivity-enhancing activities; by restricting access to finance for talented individuals from low-income backgrounds; by heightening social conflict and political instability that deter long-term investment; and by contributing to underinvestment in broad-based education and skills, which slows the diffusion of new technologies. At the same time some theories suggest that inequality may stimulate innovation by concentrating resources among individuals and firms with the capacity to undertake risky, high return investments .

Some studies suggest that concentrated inequality may stimulate innovation by increasing wealth consumers' willingness to pay for frontier goods, strengthening incentives R&D investment (Foellmi & Zweimüller, 2006) while innovation itself has been shown to contribute to higher top-income shares (while not Gini inequality) through innovation rents (Aghion et al., 2019). Other work, however, finds that inequality can impede innovation. Hatipoğlu, (2012) for example identify non-linear effects in the inequality-innovation relationship and identifies market size as a key transmission mechanism: by expanding the customer base able to afford and buy newly introduced products lower inequality alters expected profits and boosts R&D and innovation incentives. Complementing this, Zweimüller et al. (2005) develop a model showing that a more equal income distribution can strengthen innovation incentives, particularly through demand-side channels and strategic pricing effects.

Studies examining the empirical relationship between wealth concentration and growth, identify innovation as a key mechanism through which wealth concentration reduces growth. Motahar & Mamipour's (2025) mediation analysis identifies innovation as the largest negative channel linking wealth inequality to slower economic growth. Supporting this, Morck, Stangeland & Yeung (2000) provide firm- and sector-level evidence that heir-controlled groups exhibit lower R&D effort, resist competitive entry, and respond weakly to pro-competition shocks, patterns that are consistent with entrenched ownership structures that inhibit innovation.

Credit constraints and human-capital formation: Human capital is widely regarded as one of the most important drivers of long run economic growth, innovation, and productivity. As a result, the relationship between inequality and educational investment has occupied a central place in the inequality-growth literature. Unlike some of the mechanisms already discussed, the effects of credit constraints and human-capital formation are not confined to extreme wealth concentration but can

arise wherever inequality in wealth and asset ownership restrict access to education, credit, and entrepreneurial opportunities. Theoretical predictions differ, however, on whether inequality promotes or constrains human-capital accumulation. Saint-Paul and Verdier (1993) develop an endogenous-growth model in which public education is determined through the political process and show that higher inequality may increase political support for publicly funded education, expanding human-capital investment and generating a positive association between inequality and growth. However, once the distortionary effects of taxation become sufficiently large, these gains may be offset, giving rise to a non-linear, potentially hump shaped relationship between inequality and growth.

While Saint-Paul and Verdier argue that inequality may, under certain conditions, promote human-capital accumulation through greater support for public education, most of the literature emphasises the opposite effect. In the presence of credit-market imperfections, inequality can hinder growth by limiting access to education and entrepreneurial opportunities. Under imperfect credit markets, low-income individuals who cannot borrow to finance education or entrepreneurial activity face binding credit constraints, limiting their ability to accumulate human capital and build productive capacity, which in turn dampens long-run economic growth. Several models – notably Galor and Zeira (1993) and Piketty (1997) – demonstrate how unequal wealth distributions interact with borrowing constraints to limit the investment capacity of poorer individuals. These constraints restrict access to education and entrepreneurial opportunities, generating persistent underinvestment in skills and innovation and thereby constraining long-run growth (Aghion et al., 1999). This dynamic produces multiple long-run wealth distributions in which high interest rates reinforce credit constraints, depress capital accumulation and slow down economic development. As higher steady-state interest rates increase the share of credit-constrained households, aggregate investment falls, human-capital formation weakens, and entrepreneurial dynamism declines, generating lower growth in high-inequality, high-constraint steady states.

In the literature examining the empirical relationship between wealth inequality and growth there is strong and consistent evidence that credit constraints on human-capital investment is key channel by which wealth inequality reduces long-run economic growth. Deininger and Olinto (2000) provide one of the clearest tests of this mechanism: using asset (land) inequality as a proxy for wealth concentration in settings with imperfect credit markets, they show that higher assets inequality has a significant negative effect on growth and reduces the effectiveness of educational investment. This is reflected in a large, negative, and statistically significant interaction between inequality and educational investment, indicating that the same level of schooling yields substantially lower growth in more unequal settings where borrowing constraints bind most tightly. More recent evidence reinforces the centrality of this mechanism. Motahar and Mamipour (2025), using a mediation framework, find that wealth inequality exerts a sizeable indirect drag on growth through human-capital accumulation. Their results show a statistically significant and economically meaningful negative mediation effect, implying that wealth concentration systematically restricts the opportunities of low-wealth households to invest in education and skill formation.

Political connections, rent seeking and inheritance: A central finding in the literature examining the inequality–growth nexus is that the nature of inequality matters. As Facchini, Jaeck and Kratou (2023) argue, inequality arising in institutional environments which are characterised by rent seeking behaviour is fundamentally unproductive, and therefore has a negative effect on growth, whereas inequality stemming from profit seeking in high productivity institutional settings may instead support growth. Their empirical strategy distinguishes between productive inequalities (i.e. inequalities arising in settings where institutions reward entrepreneurship and profit-seeking) and unproductive inequalities (inequalities that reflect rent-seeking, favouritism, and political capture). To operationalise this distinction, they construct an Institutional Productivity (IP) index capturing the balance between

profit-seeking and rent-seeking institutions. Using panel data for 114 countries (1990-2020), they find that inequality is negatively associated with growth at low levels of institutional productivity, with estimated Gini coefficients ranging from approximately -0.12 to -0.25. However, the positive and significant interaction between inequality and institutional productivity indicates that this negative effect diminishes, and may eventually turn positive, as institutions become more supportive of profit-seeking rather than rent-seeking activities.

Evidence from the wealth-inequality–growth literature reinforces the point that the nature of wealth concentration matters for growth. Bagchi and Svejnar (2015), using global billionaire data, show that politically connected wealth is robustly associated with lower economic growth, whereas market-based, unconnected wealth has no significant effect. Additional evidence from Bagchi, Svejnar and Bischoff (2016) confirms that inherited wealth concentration is likewise growth-reducing, while self-made, unconnected wealth is not. Firm-level evidence from Canada provides further insights into this mechanism: Morck, Stangeland and Yeung (2000) show that heir-controlled groups exhibit entrenched management, distorted capital markets, and lower innovative effort, and that they underperform when competitive barriers fall. These patterns reflect classic rent-seeking behaviour, in which politically connected or inherited wealth enables owners to preserve and extract rents through entrenchment and barriers to competition, leading to misallocation and slower long-run growth. Taken together, the evidence demonstrates that the composition of wealth at the top, particularly politically connected and inherited wealth, affects growth outcomes in ways that aggregate inequality indicators fail to capture. However, it should alos be noted that the boundaries between these different categories of wealth are often less clear-cut than they appear. Entrepreneurial wealth may become politically connected over time, while recent evidence suggests that even individuals classified as “self-made” frequently originate from socio-economically privileged backgrounds (Stubenbord, 2026) and argue that rather than reflecting a broad democratisation of access to extreme wealth, the rise of self-made fortunes may therefore represent a reordering within already advantaged groups. This suggests that the origins and composition of wealth should be viewed as contextual factors.

Political economy mechanisms: Redistributive pressures, policy capture, governance quality and socio-political instability: The rent-seeking processes outlined above also underpin the broader political economy mechanisms, through which policy capture, weak governance, and socio-political instability amplify the growth-reducing effect of inequality. The political-economy literature highlights two channels through which inequality may affect growth. From above, entrenched elites may engage in policy capture to protect incumbency rents which can distort resource allocation and hinder growth (Islam & McGillivray, 2020). Evidence by Bagchi and Svejnar (2015) reinforces this argument showing that politically connected wealth is robustly associated with lower economic growth, whereas market-based, unconnected wealth has no significant effect. Extending this distinction, Bagchi, Svejnar and Bischoff (2016) find that inherited wealth concentration is likewise growth-reducing, while self-made, unconnected wealth is not. Together, these findings suggest that the adverse growth effects of wealth concentration are driven less by wealth itself than by the political connections and inherited advantages that facilitate rent extraction and policy influence.

From below, rising inequality may alter political preferences by increasing support for redistribution among households with relatively few assets. (Alesina and Rodrik, 1994a). In the median-voter framework developed by Alesina and Rodrik (1995), these policy responses can reduce incentives for investment and capital accumulation, thereby slowing growth. Alesina and Rodrik (1994a) provide empirical support for the political-economy mechanism, finding that higher land and income inequality is associated with lower long-run growth, consistent with the view that unequal societies are more likely to adopt redistributive policies that reduce capital accumulation and growth. This prediction, however, contrasts with other strands of the literature, particularly those emphasising credit constraints, human-

capital formation, and social inclusion, which suggest that redistribution may under some circumstances enhance rather than reduce growth.

Further evidence by Islam & McGillivray (2020) suggests that institutional quality can moderate these adverse dynamics. Stronger governance (e.g. regulatory quality, and government effectiveness) can reduce or offset the negative association between wealth inequality and growth (Islam & McGillivray, 2020), suggesting that fiscal, regulatory and legal capacity acts as a buffer limiting the extent to which wealth concentration translates into policy capture, rent extraction, and other growth-reducing distortions.

These political-economy dynamics are further amplified by socio-political instability. As shown by Alesina and Perotti (1994), more unequal societies tend to experience higher levels of unrest and political volatility, which raise uncertainty and increase the cost of capital. In Motahar & Mamipour (2025) mediation analysis, socio-political instability emerges as one of the largest negative channels through which wealth inequality slows growth. This finding is consistent with Alesina and Rodrik's (1994b) review of the political-economy literature, which highlights political instability and distributional conflict as key channels through which inequality affects growth. Taken together, this evidence demonstrates that political-economy frictions and socio-political instability operate jointly, reinforcing each other in ways that further dampen growth in high-inequality settings.

Aggregate demand and portfolio composition: A large empirical and theoretical literature shows that rising income inequality reduces aggregate demand, primarily because high-income households have much lower marginal propensities to consume (MPCs) than low-income households. Thus, as inequality increases, total consumption falls relative to what it would be under a more equal distribution. This mechanism is also formalised in macroeconomic models by Auclert & Rognlie (2018) which shows that higher inequality reduces output in the short run (albeit modestly) because MPCs decline with income, lowering consumption and demand: this implies that a shift of resources to high-income-low-MPC households depresses spending and hence output. Further empirical evidence comes from Carvalho & Rezai (2016), who show that more equal income distributions always lead to higher output as well as Fisher et al. (2020) who show that MPCs are lower for high wealth / high income households, implying higher inequality reduces aggregate consumption. While not all studies find strong causal effects, with Crespo-Cuaresma et al. 2018 for example reporting limited or no aggregate consumption response to income inequality, the balance of the evidence including results based on macro modelling supports the conclusion that inequality weakens aggregate demand, which in turn reduces economic growth. Empirical evidence on the wealth inequality-growth relationship also highlights important demand and portfolio channels. Because high-wealth households have much lower marginal propensities to consume, increases in top-end wealth shares reduce mass purchasing power and weaken demand-led components of growth; consistent with this, the mediation analysis by Motahar & Mamipour, (2025) documents a negative consumption pathway associated with rising wealth concentration (Motahar & Mamipour, 2025).

The literature also points to the importance of portfolio composition. As discussed earlier Policardo & Carrera (2024) argue that the growth effects of wealth inequality depend not only on the concentration of wealth but also on how wealth is allocated across asset types and across the wealth distribution. Comparing France and the United States, they find a negative relationship between wealth inequality and growth only in France, which they attribute to differences in portfolio composition between wealth groups, resulting in a larger share of aggregate wealth being held in non-productive assets rather than productive capital.

Summary of findings

The evidence reviewed here indicates that while the literature on income-inequality growth is ambiguous and highly context-dependent, the emerging wealth-inequality literature shows a striking degree of consistency. The majority of studies find that higher wealth concentration – especially when inherited or politically connected – is associated with slower growth. Several channels have been identified, including policy capture, capital misallocation, weakened innovation, reduced human-capital formation due to credit constraints, lower aggregate demand, and portfolio shifts into non-productive assets. While the evidence suggests that different forms of wealth are associated with different growth outcomes, the boundaries between these categories are often blurred. Entrepreneurial and self-made wealth may become politically connected over time, while many apparently self-made fortunes are rooted in pre-existing social and economic advantages (Stubenbord, 2026). Consequently, institutional conditions remain central in determining whether wealth is channelled towards productive investment or rent-seeking activities. Governance quality and financial-sector design also play an important role in shaping the strength of these effects.

While some theoretical and empirical contributions identify potentially growth-enhancing channels operating through higher saving, investment, and entrepreneurship, the evidence also suggests that these benefits are subject to important non-linearities. Studies by Dávila-Fernández and Punzo (2020) and Konaté and Hanchane (2026) indicate that wealth concentration may support growth at relatively low or moderate levels but becomes increasingly harmful once it surpasses certain thresholds, implying that the balance between positive and negative mechanisms shifts as concentration rises. A large body of evidence identifies channels through which wealth concentration can weaken growth including innovation, distort resource allocation and entrench economic and political power (Bagchi & Svejnar, 2015; Morck et al., 2000; Islam & McGillivray, 2020; Policardo & Carrera, 2024; Matusche & Wacks, 2022; Motahar & Mamipour, 2025). Governance quality systematically moderates these harms, whereas unregulated financial deepening can amplify them (Islam & McGillivray, 2020; Chroufa & Chtourou, 2023). Further insights from the wealth-taxation literature (Saez & Zucman, 2019; Bouchaud, 2015; Nguyen & Khieu, 2021) suggest that well-designed progressivity and effective enforcement can reduce extreme concentration without necessarily harming growth – and in some stochastic growth models, a positive wealth-tax rate can even raise long-run growth via diversification and reduced rent extraction – while overly aggressive rates may distort savings and investment.

Future research directions

Future research should address several key gaps in the current literature. First, better identification of thresholds and non-linearities in the relationship between wealth, wealth inequality and growth is needed. Existing evidence remains limited, largely confined to a few country-specific studies or to low-income country subsamples, leaving open the question of whether similar patterns hold more broadly.

Second, future research should develop a broader and more systematic distinction between different sources and uses of wealth. Although existing studies show that inherited and politically connected wealth drive the strongest negative effects, most cross-country analyses still rely on aggregate top wealth share measures.

Third, research should examine heterogeneity in the growth effects of wealth inequality across countries with different development levels, financial development, and institutional contexts. For example, comparing settings with productive institutions to those characterised by rent-seeking and elite capture would clarify how institutional environments shape the mechanisms linking wealth concentration to growth.

Fourth, in addition to more country-specific work, regional or sub-national analyses could also provide a valuable area of research to identify the effects. Sub-national analyses that link wealth distribution to investment, productivity, and innovation would help test whether national-level relationships hold at smaller spatial scales and clarify how these effects emerge and diffuse across regions.

Finally, improved measurement of top-tail and offshore wealth through better integration of survey data, tax microdata, capitalization methods and offshore-wealth indicators is needed to obtain more accurate estimates of wealth concentration. Although some approaches have been developed to capture offshore wealth (e.g. macro-statistical methods that identify “missing wealth” by comparing international reports of foreign assets and liabilities (Zucman 2015; EU Tax Observatory 2025) or use of administrative data such as the Foreign Account Tax Compliance Act (FATCA) filings to the US Internal Revenue Service which provided direct evidence on foreign account holdings among high-income households (Johannesen et al. 2023)) offshore wealth remains significantly under-measured.

Table 1: Summary of Empirical Studies Examining the Effects of Wealth Concentration on Economic Growth

Study (year)	Inequality index/source	Estimated effect on growth (magnitude & direction)	Non-linearities / thresholds
Bagchi & Svejnar (2015)	**Billionaire wealth / GDP (Forbes)**; also / capital, / population	A1 SD increase in total billionaire wealth is associated with −0.49 pp/yr lower growth; A 1 SD increase in politically connected wealth is associated with −0.60 pp/yr growth; A1 SD in unconnected wealth has no significant effect on growth	**No:** only linear terms tested
Bagchi, Svejnar & Bischoff (2016)	**Billionaire wealth / GDP** decomposed into self-made, connected/unconnected) & inherited	A 1 SD increase in connected wealth is associated ith 0.39 pp/yr decline in growth; A 1 SD in inherited wealth is associated with 0.55 pp/yr decline in growth; A1 SD in unconnected wealth has no significant effect	**No:** only linear terms tested
Chroufa & Chtourou (2023)	**Top 10% / Top 1% wealth shares (WID)**	Wealth inequality reduces GDP per-capita growth in both high and low financial development (FD) regimes; effect stronger above FD threshold (i.e. FD amplifies the harm)	**No:** Wealth inequality enters linearly; coefficients differ across financial-development regimes.
Policardo & Carrera (2024)	**Top 10% wealth share (WID); Top 1% for robustness**	France: +1 pp top-10 share is associated with approx. 1.5 pp declines in GDP-pc growth in year 1 and approx. 8 pp declines cumulative US: negative but weaker and less robust effects	**Yes:** Non-linear relationship estimated; effect become more adverse at higher levels of wealth concentration but evident only in France; no explicit threshold estimated
Dávila-Fernández & Punzo (2020)	**Top 1% (and 0.01%) wealth share (WID)**	Inverted-U relationship: Estimated growth-maximising top-1% share approx. 25% (slightly higher for the US). France close to this level US far exceeds this level (i.e. US 1-2 below long-run growth potential. Estimated growth maximising top-0.01% approx. 5.5–7% in the US.	**Yes:** Turning points for top-1% (approx. 25%) and for top-0.01% (5.5–7%)
Islam & McGillivray (2020)	**Top 1% & Top 10% shares (Credit Suisse); Forbes billionaire wealth ratio**	Negative, linear relationship: Estimates imply that higher wealth concentration reduces GDP/capita growth; coefficients are about −0.32 to −0.51 for a one-unit increase in wealth-inequality; effects are stronger for the top-1% than top-10% wealth shares. Results robust for billionnaire based measures	**No**: Linear negative effects; no evidence of non-linearity (squared wealth inequality tested but statistically insignificant
Motahar & Mamipour (2025)	**Wealth Gini (WID)**	Channel magnitudes (Average Causal Marginal Effects (ACME) variables standardised): Innovation (ACME =-0.309) and	**No:** No reported wealth-inequality threshold (although

		socio-political instability (ACME=-0.291) are the dominant negative channels through which wealth inequality reduces growth; consumption (ACME=-0.110) and human capital (ACME=-0.025) also contribute negatively, while investment exerts an positive effect (ACME=+0.206).	estimated using a nonlinear Generalized Additive Model (GAM) mediation framework).
Morck, Stangeland & Yeung (2000)	**Heir billionaire wealth/ GDP vs Self-made billionaire wealth / GDP (Forbes)**	Heir wealth/GDP coefficient approx. −0.292; moving from 0 heir wealth to 75th pct (approx. 3.29% of GDP) uis associated with approx.−0.96 pp/yr lower growth; at 90th pct (approx. 6.67% of GDP) the reduction is approx. −1.95 pp/yr	No: The study estimates linear cross-country growth regressions and does not test quadratic, threshold, or other non-linear specifications
Deininger & Olinto (2000)	**Land Gini (asset inequality)**	Large, negative effect on growth; 10-point drop in land Gini is estimated to have a growth effect equivalent to increasing schooling by approx +1.44 years of	No: No explicit threshold for wealth inequality per se. However, the effect of education depends on asset inequality through a significant interaction term, implying that high asset inequality reduces the growth payoff from education.
Steenbrink & Skali (2026)	**Wealth Gini (WID); Top 1% share (robustness)**	A1 SD increase in wealth Gini is associated with a 0.34 pp decline in annual GDP/pc growth; income inequality no effect. Effects remain significant for Top 1% but insignificant for income inequality when wealth inequality is accounted for.	No: The study does not find non-linearities or other heterogeneity across countries income leaves or other covariates
Konaté & Hanchane (2026)	**Wealth Gini (WID)**	Inverted-U shaped relationship: Wealth inequality is growth enhancing at low/moderate levels but becomes Growth-reducing at high.	Yes: Semiparametric estimation identifies a turning point at at approx. Gini=0.79. Below this threshold the marginal effect of wealth inequality on growth is positive; above it the effect is negative.
Yang, Minford & Meenagh (2020)	**Top 10% wealth share (WID)**	Structural model implies inequality has a bidirectional relationship with entrepreneurship an growth; greater wealth concentration increases entrepreneurship among the wealthy, raising growth, while growth further increases wealth concentration. Redistribution reduces inequality with rising growth costs at higher transfer rates	No: structural model; no empirical non-linearity or threshold estimated).

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Economic harms - poverty

Report card

How can extreme wealth produce social/economic harms in relation to poverty?	Extreme concentrations of wealth may contribute to economic structures that disproportionately benefit owners of capital and in turn can increase economic vulnerability of poorer households by affecting housing affordability or weakening labour's bargaining position in the economy. When the benefits of economic growth are disproportionately captured by those with already high levels of wealth, the extent to which growth contributes to poverty reduction may be diminished. Weaker and less inclusive economic growth may also constrain fiscal capacity by slowing the expansion of the tax base and reducing the resources available to address poverty. These effects may be reinforced when wealth translates into disproportionate political influence, weakening support for redistributive policies, social protection and investment in public services.	
Evidence assessment	**Certainty of evidence**	**Strength of relationship**
	Moderate There is strong and consistent evidence that inequality affects poverty reduction and mediates the relationship between growth and poverty. This evidence however uses aggregate measures and focuses on income, not on extreme wealth levels or concentration. There is nevertheless growing evidence linking wealth concentration to slower growth and financial instability, while asset accumulation practices linked to financialization of housing affect housing affordability pressures. Confidence in the fact that extreme wealth and wealth concentration do bear on poverty is also linked to evidence in other reviews in this series, which have identified harms in relation to other relevant aspects – such as growth and political capture.	**Moderate- Strong** Inequality can significantly reduce the poverty-reducing impact of economic growth, with some studies finding that reductions in inequality have a larger effect on poverty than equivalent increases in growth. However, the size of these effects varies across contexts and is often estimated using broader income measures of inequality rather than extreme wealth specifically. Wealth concentration is found to be a key factor in shaping the economy and contributes to financial instability and housing unaffordability, which can increase poverty risks and vulnerability among lower-income households.

Threshold	Not possible to identify a specific harm threshold from the current evidence base.
Contextual factors	• **Economic structure** and the relative importance of capital-intensive versus labour-intensive sectors. Relatedly, also labour market institutions, including collective bargaining arrangements and worker bargaining power. • **Housing market institutions,** including planning systems, tenure patterns and housing supply constraints – including the degree of housing financialisation and the role of institutional investors in property markets. • **Financial regulation** and credit market institutions that bear on the resilience of the financial system to asset-price bubbles and instability. • **Welfare systems** and the generosity and coverage of social protection that can buffer economic shocks and affect poverty dynamics. Tax and redistribution systems that influence the extent to which economic gains are broadly shared • **Political institutions** and factors shaping the conversion of economic resources into political influence.
Evidence gaps	• More evidence is needed **directly examining the link between wealth inequality and poverty** – most of the evidence concerns income inequality. This can include an examination of net effects and an assessment of the overall balance of these effects and the institutional conditions under which wealth concentration is more or less compatible with poverty reduction • There is a clear lack of research around wealth concentration and extreme wealth in relation to inclusive growth and the **triangle inequality-growth-poverty** • More research on the impact of **policy capture and poverty** is needed. Current evidence focuses on unequal responsiveness rather than on how policy capture by wealthy actors bears on poverty outcomes or its impact on poverty reduction. • **Beyond income poverty**, more research on the impact of extreme wealth and wealth concentration on a range of forms of disadvantage could explore links with housing deprivation, material deprivation, debt stress, insecurity, or broader multidimensional poverty indicators • More **cross-country comparative research** can strengthen the assessment of mechanisms and examine how institutional factors (welfare regimes, housing systems, labour-market institutions, tax systems) mediate the relationship between extreme wealth concentration and poverty outcomes.
Examples of strong studies	**Growth, inequality and poverty** Lakner, C., Mahler, D. G., Negre, M., & Prydz, E. B. (2022). *How much does reducing inequality matter for global poverty? The Journal of Economic Inequality, 20*(3), 559–585. World Bank. (2024). *Poverty, prosperity, and planet report 2024: Pathways out of the polycrisis*. World Bank. Bergstrom, K., & Bergstrom, K. (2022). *The role of inequality for poverty reduction*. Open Knowledge Repository: World Bank

	Wealth concentration and financial crises Jakurti, E. (2025). Wealth Inequality, Asset Price Bubbles and Financial Crises. WORKING PAPER N°2025/01. World Inequality Lab **Housing financialisation, poverty and affordabilty** Dewilde, C. (2022). How housing affects the association between low income and living conditions-deprivation across Europe. *Socio-economic review*, *20*(1), 373-400. Hochstenbach, C. (2022). Landlord Elites on the Dutch Housing Market: Private Landlordism, Class, and Social Inequality. *Economic Geography*, *98*(4), 327–354. Bandoni, E., De Nora, G., Giuzio, M., Ryan, E., & Storz, M. (2025). *Institutional investors and house prices* (ECB Working Paper No. 3026). European Central Bank.

Economic harms - poverty

Narrative review

by Irene Bucelli

Extreme wealth concentration undermines poverty reduction by limiting the inclusiveness of growth and by generating financial instability, housing unaffordability, and economic insecurity that disproportionately increase poverty risks for less advantaged households.

Poverty is shaped by the interaction of economic, social and political factors. Labour-market dynamics influence access to employment, earnings and the distribution of economic prosperity, while institutional arrangements influence how resources, opportunities and risks are distributed across society. Public policies and social institutions can reduce poverty and deprivation by providing income security, supporting families, improving access to education, health and housing, and expanding people's capabilities and life chances. This means that aspects such as growth, political dynamics, social mobility matter for poverty and the evidence of harm identified in the reviews focused on these matters for poverty in turn. In particular, the review on economic growth finds consistent evidence that higher wealth concentration is associated with slower growth – in fact, the evidence around wealth concentration, while more recent and emerging is more consistent than that around income. The review also highlights strong evidence around the mechanisms explaining this association. Some of these channels, such as capital misallocation, depressed

innovation, investment in non-productive assets financialisation will be explored below from the standpoint of their bearing on economic insecurity for poorer households. Overall, this evidence already suggests that wealth concentration has a negative effect on poverty – as growth is widely identified as a key driver of poverty reduction (Bergstrom et al 2022).

Growth, inequality and poverty

Over the past decade the importance of understanding the link between inequality and growth and its consequences for poverty has been central to the work of several international organisations, including the World Bank, OECD and the IMF (OECD, 2024; Cerra, 2021; World Bank, 2024). The World Bank has adopted new inequality indicators (classifying high inequality countries when above the 0.40 within country income Gini threshold) and measures of 'shared prosperity' (Haddad et al, 2024). The narrative emerging from the work conducted by these institutions points to how even Gini levels above 0.30 (close to the OECD median of 0.33) can be seen as harmful to future economic growth, with consequences for poverty (OECD, 2024). Grigoli and Robles (2017) find robust evidence of non-linearities - when the income Gini rises above 0.27 there is a slowdown in future economic growth – a phenomenon they call inequality overhang. The relatively recent consensus that inequality mediates the relationship between growth and poverty, aligns with long-discussed frameworks, such as the 'Poverty-Growth-Inequality Triangle' (Bourguignon, 2004), which emphasised the importance of considering redistribution and growth together in examining poverty eradication.

The World Bank in particular has explored these dynamics through research on the 'Prosperity Gap' - the average factor by which every person in the world would need to increase their income to reach a set prosperity standard ($25 per day). Through this measure it is possible for instance to establish the contribution of mean growth / between-country inequality / within-country inequality to the share of annual growth. The Prosperity Gap worsens when inequality is higher (World Bank, 2024). For countries with similar levels of average income, those with greater inequality have a higher Prosperity Gaps. For instance, Benin and Cameroon have similar mean household consumption levels, but Benin has a lower Prosperity Gap (greater shared prosperity) than Cameroon and this is explained by its lower inequality. This work also established 'inequality penalties' – for instance, Madagascar would have a Prosperity Gap of 18.8 instead of 27.3 were its inequality at a (lower) hypothetical benchmark level. The same research also estimates that inequality delays prosperity. Even holding growth rates constant across countries, those with higher levels of inequality face substantially longer timeframes for individuals in each country on average to reach the set prosperity standard – e.g. even with similar or slightly lower levels of current mean income Serbia could reach this goal in 69 years compared to 113 years in Brazil. Through microsimulation methods, Min and Rao (2023) explore growth-redistribution strategies to raise entire populations above the International Poverty Line ($1.90/day) by 2030. They focus on two case studies, Rwanda and India, and show that meeting this target would require unprecedented rates of both growth and inequality reduction in Rwanda – with an annual economic growth of 7.5% or higher until 2030 needed to achieve the poverty goal. India could not eradicate acute poverty by 2030 with growth alone but it could with a reduction in

inequality. Even without any growth, the goal could be achieved with a significant reduction of inequality (from 0.38 to 0.28 GINI).

Lakner et al (2022) use simulation models to estimate scenarios for global poverty from 2019 to 2030. They find that reducing each country's Gini index by 1% per year has a larger impact on global poverty than increasing each country's annual growth 1 percentage points above forecasts. Holding within-country inequality unchanged and letting GDP per capita grow according to World Bank forecasts, the simulations suggest that the global extreme poverty rate will be around 7.4%, with over 600 million people counting as extremely poor (living on less than $1.90/day). If the Gini index in each country were to decrease by 1% per year, the global poverty rate could reduce to around 6.3% in 2030, with 89 million fewer people living in extreme poverty. In a study exploring how strongly poverty responds to changes in growth or inequality, Bergstrom et al (2022) show that while most historical reductions in poverty have been driven by economic growth, inequality has a larger effect on poverty on a per-unit basis: in particular, post 2010, the median elasticity of poverty with respect to inequality is 5.19, while the median elasticity of poverty with respect to growth is 2.78. The study also finds that higher the inequality, the less effective growth is at reducing poverty, providing evidence of a "double dividend" from reducing inequality, as lower inequality both directly reduces poverty and increases the effectiveness of future economic growth in reducing poverty.

Overall, this literature supports the idea that reduction of high levels of inequality is needed to reduce poverty and that inequality also mediates the impact of growth on poverty reduction. At the same time, they all focus on income inequality, using the income Gini as key measure, thus providing limited direct evidence of the role of top-end inequality, particularly in relation to extreme wealth.

Financial crises, wealth inequality and poverty

A different strand of the literature focuses on the macroeconomic consequences of wealth concentration, with implications for vulnerability at the bottom of distribution. Wealth concentration is found to contribute to structural vulnerabilities within financial systems, for instance enhancing the likelihood of crises through asset price bubbles.

There is evidence of the role of wealth concentration in producing systemic financial risks. For instance, high levels of top-end wealth and income concentration are linked directly to asset price dynamics and help explain how wealth concentration can contribute to financial imbalances (Toda and Walsh, 2024). These financial sector vulnerabilities also emerge from analysis by the Federal Reserve in the US (Isojärvi and Jerowl, 2024), albeit using top income share measures. Compared with lower-income households, higher-income households save more and invest disproportionately in risky assets, which increases overall asset demand and valuations, expanding credit supply and encouraging borrowing among lower-income households. This interaction leads to greater household leverage and risk-taking in the financial system, amplifying fragility.

Modelling by Botta et al (2021) suggested an interconnection between inequality and financial expansion, with rising inequality (both in terms of income and wealth) and over-expanding financial

system increasing the probability of financial and economic crises. Jakurti (2025) examines the role of wealth inequality as a predictor of financial crises, analysing data from 18 countries between 1870 and 2020. The study finds support for the idea that rising wealth concentration contributes to the formation of asset price bubbles – a hypothesis formulated by Piketty and Zucman (2014). Even after accounting for other crisis predictors, a one standard deviation rise in the growth of the top 1% wealth share is associated with a 3 to 8 percentage points increase in crisis probability. There are differences in studies identifying this link: some find that an economy needs to be sufficiently wealthy before wealth inequality can trigger a crisis (Hauner, 2020), others do not (Jakurti, 2025). Overall, these studies indicate that while financial crises have often been interpreted as exogenous shocks, they are linked to wealth concentration. This can create social/economic harms by increasing risks of financial instability as poorer household bear the costs of crises.

Housing, wealth inequality and poverty

The review on economic harms and the relationship between extreme wealth concentration and growth has identified some of the key mechanisms underlying that relationship in relation to savings and capital accumulation. The review underscored that while it has been traditionally assumed that greater inequality increases aggregate savings and thereby finances higher investment, the evidence suggests that this mechanism may operate only up to a certain level of wealth concentration, beyond which various mechanisms prevent additional saving from translating into higher growth. Using U.S. tax and financial data from 1963–2019, Mian et al (2020) show that increasing wealth concentration has led to an accumulation of excess savings, particularly among the top 1% since the 1980s. What the authors term as "the saving glut of the rich" did not translate into higher productive investment or capital formation. Instead, most of these funds were absorbed through debt expansion elsewhere in the economy, resulting in increased borrowing among middle class household before the 2008 crisis (raising their exposure to financial shocks) and in rising fiscal deficits post-2008. This points to a key mechanism linking wealth concentration and poverty through the influence wealth on patterns of capital allocation.

When a growing share of wealth is held by a small segment of the population, investment also tends to be concentrated in housing and financial assets rather than productive activities that generate employment, wage growth, and broader economic opportunities benefitting poorer households (Causa et al, 2019). In relation to housing, there is good evidence of an increasing financialisation of housing markets in different contexts which has expanded opportunities for generating wealth through rents and capital gains, encouraging investment in property as an asset rather than primarily as a consumption good (Fahra, 2017).

Scholars of the financialisation of housing (Aalbers 2026; Wijburg, 2026) have identified different phases and modalities of housing financialization: from institutional investment and the expansion of listed real estate funds to a more diversified, intense and globally diffused expansion into new asset classes (e.g. senior housing, student housing, social and supported housing etc.). They have also underscored the critical state-market relationships that shape dynamics in different contexts. Housing markets in many countries are shaped by a complex network of investors, including large

firms, trusts, and institutional investors to domestic and international individual landlords, managing disparate sizes of housing portfolios and pursuing different investment strategies. Extremely wealthy individuals and families are key actors in the financialization of housing and can be involved both directly as domesitc or international owners/landlords or through their involvement with institutional investors, such as real estates investment trusts and private equity firms. Despite challenges in untangling investment flows, some studies trace the investment background of institutional investors and, for instance, underscore the key role played by large-scale private investors and family offices in real estate investment funds in Europe, noting their narrow origin from a limited set of European countries and the US (Lima, 2024; Gabor and Kohl, 2022).

In Europe, individual investors typically comprise the majority of owners and landlords (Hulse et al, 2020; Hochstenbach, 2022; Holm et al, 2023; Beswick et al, 2016). There is a large variation in the profiles of these individuals, but they are more likely to be the wealthiest households in a given nation (Arundel, 2017), while transnational elites are also found to play a particularly prominent in global but also peripheral cities (Hay and Muller, 2012; Fernandez et al, 2016; Ley, 2017; Lima, 2024; Gabor and Kohl, 2022). In the Netherlands, Hochstenbach (2022) finds that 1 in 3 households in the top 1 percent of wealth are landlords and it is predominanty an elite of landlords that holds larger portfolios, particularly located in urban areas, and uses multiple property ownership as a key vehicle for wealth accumulation.

Highly financialised housing systems are associated with increased higher living conditions deprivation for renters and low-income households (Dewilde, 2022). Financialisation has contributed to rising house prices, reduced affordability, and a weakening of the link between housing costs and local economic fundamentals such as wage or income growth (Banti and Phylaktis, 2025; Bandoni et al, 2025). In an international comparative study covering 13 cities—including Vancouver, Sydney, Lisbon, Berlin, Barcelona, Dublin, and Stockholm— Whitehead et al (2023) find evidence of this trend, pointing to common patterns in how increased investment by domestic and international investors has exacerbated affordability pressures, reduced access to secure housing, and led to exclusion from many neighborhoods particularly for lower-income households. Financialization must be understood in conjunction with other factors that drive house prices – e.g. with local planning systems, demographic change, and housing shortages. At the same time, Bandoni et al (2025) show that institutional investors have become increasingly important players across European countries. House prices in regions with a high presence of institutional investors tend to grow faster and become detached from regional household income or wage growth. Institutional investors thus contribute to overvaluation and become drivers of affordability concerns, while also increasing the vulnerability of housing markets, for instance in response to any turnaround in investor demand.

Another common pattern associated with increased financialisation is that of ‘renovictions’ (Lima, 2020; Gustafsson, 2024; Aalbers, 2026; Woodhall-Melni et al. 2025; Holm et a, 2023) - evictions that result from renovations intended to increase rental profitability and are adopted by investors to escalate rents and circumvent regulation. While these do not solely affect the poor, the evidence suggests that they are more likely to result in the exclusion lower-income tenants (Gustafsson, 2024).

Policy capture and poverty

A different strand of the inquiry, but partially addressed in the political harms section, refers to the harm of extreme wealth in relation to political channels. That review finds good evidence of political influence exerted by the very wealthy and leading to policy capture – for instance making governments more responsive to affluent interests rather than those of lower-income groups (Gilens and Page, 2014). This can reduce support for redistributive and progressive policies, in turn affecting poverty reduction policy.

Evidence assessed in the political harms section has underscored representational inequalities and policy capture, with a policy responsiveness bias favouring the preferences and interests of the rich (Ansell and Gingrich, 2024; Gilens and Page, 2014; Bartels, 2002; Elsässer and Schäfer, 2023). In relation to the specific impact of capture on progressive welfare policy and social protection, the body of evidence around wealth is more limited compared to that focused on income. For instance, in relation to income inequality, Lupu and Pontusson (2024) found that in Europe policy outputs have become less redistributive in recent decades and they have also become more closely aligned with the preferences of higher income citizens. Unequal responsiveness particularly pertains economic and welfare policy as opposed to cultural and civic liberties policy proposals (Elsässer et al, 2021). Partisanship of governments does emerge as bearing on unequal responsiveness (Elsässer et al, 2021). However, as Mathiesen et al (2024) show for Germany, the Netherlands, Norway and Sweden even left-leaning governments in all four countries are still much more responsive to the affluent than they are to the poor. They also show a change through time, as left-leaning governments were more equally responsive on economic and welfare issues prior to 1998. Some studies, such as Elkjær and Iversen (2024) point to how policy bias appears to differ when focusing on distributional outcomes, as opposed to policy preferences. They find that post-tax incomes of the middle and bottom income quintiles broadly kept pace with overall income growth in European countries, as opposed to trends found in the US. At the same time, their findings point to how bottom-end redistribution is dependent on partisanship and middle-class preferences. A recent systematic review further (Elkjær and Klitgaardhad, 2024) undescored the heterogeneity of findings in this literature depending on factors such as model specification, focus on short-term preferences vs long-term policy changes.

This literature primarily identifies patterns of representational inequality rather than establishing a direct causal effect of extreme wealth or wealth concentration on policy outcomes. Differential political responsiveness has been shown to vary not only by income but also by social class and educational attainment (Elsässer et al., 2021). Indeed, some studies suggest that these characteristics may be more influential than affluence in shaping political responsiveness in certain contexts. For example, Mathisen (2021) finds that education-based differences are the key determinant underlying unequal responsiveness in Norway.

Evidence directly examining the impact of policy capture on poverty remains limited. A relevant literature, particularly in developing-country settings, highlights how elite capture can divert

resources away from poverty alleviation programmes. There is extensive evidence documenting the existence of these dynamics (Han and Gao, 2019; Pan and Christiaensen, 2012; Kilic et al, 2015; Basurto et al, 2020). However, depending on the context, findings regarding their consequences for poverty reduction are mixed. Generally, reducing this form of policy capture appears to yield only modest improvements in poverty outcomes (Alatas et al, 2019; Banerjee et al, 2024). Others suggest that reducing these forms of corruption can in fact produce significant poverty alleviation gains (Han et al, 2022). Moreover, much of this literature focuses on local elites and employs heterogeneous definitions of elite status, often based on political influence or local networks rather than wealth levels. As a result, its relevance to understanding the specific effects of extreme wealth on policy outcomes and poverty is constrained.

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Environmental harms

Report card

Environmental harms

How can extreme wealth produce environmental harms?	A distinction should be drawn between the role of extreme wealth in relation to the distribution of emissions and its direct role in affecting emissions levels. Emissions inequalities see the very rich bear greater responsibility for climate harms. On the other hand, extreme wealth and wealth concentration could directly increase emissions and thus generate environmental harms. The environmental impact of extreme wealth can occur through consumption – e.g. by supporting carbon-intensive behaviours and luxury lifestyles — but also through capital ownership. Extreme wealth can contribute to environmental harm through control over production systems that shape the economy and lead to the concentration of capital in carbon-intensive sectors. Extreme wealth can also affect climate policy via political capture, with the potential of resulting in inaction or outright obstruction to climate policy.	
Evidence assessment	**Certainty** of evidence	**Strength** of relationship
	High certainty of emission inequalities: Strong, consistent evidence that extreme wealth is associated with high individual emissions and concentration of emissions (accounting studies).	**Strong distributional effects:** The top 10%—and especially the top 1%—account for a disproportionate share of global emissions, often by large multiples compared to less advantaged groups, and this concentration has increased over time
	Moderate certainty on the effect of inequality on total emissions: Mixed and inconsistent evidence, with substantial heterogeneity across contexts and methods. Research focused on wealth is still emerging and limited but tends to find more consistently positive associations –	**Moderate / variable (aggregate effects):** Effect of inequality on total emissions depends on context and inequality is largely found to be a contributing factor – e.g. moderating the relationship between growth or democracy and climate outcomes

	albeit not uniform —particularly for top-end concentration.	
Threshold	Clear top-end distributional threshold**,** with emissions highly concentrated among the top 10% and especially top 1% (robust evidence from accounting studies). Nonlinear macro-thresholds (e.g. Environmental Kuznet Curve turning points mediated by inequality levels), these are heterogeneous and context-dependent**,** with no single global tipping point.	
Contextual factors	• **Level of economic development** shapes whether inequality increases or decreases environmental pressures, with effects often differing between low-, middle- and high-income countries. • **Energy systems and industrial structure** influence how wealth and income concentration translate into emissions • **Wealth composition and ownership structures** affect environmental impacts, as wealth concentrated in carbon-intensive sectors may generate greater harms than wealth invested in lower-emission activities. • **Institutional quality**, **governance and state capacity** influence the extent to which economic power can be converted into environmentally harmful production, investment, or consumption patterns. • **Social factors and social norms:** public attitudes towards climate crisis affect demand and acceptability of climate policy, while status competition and luxury consumption drive patterns of consumptions and resource-intensive lifestyles. • **Globalisation and international supply chains** influence the location and visibility of environmental harms, allowing emissions and other impacts to be displaced across countries through trade and investment.	
Evidence gaps	• Evidence remains skewed towards studies focused on income rather than wealth. More econometric studies are needed to examine the impact of wealth concentration and extreme wealth on emissions. • A stronger connection is needed between emissions inequality and the environmental impacts of inequality. While a growing literature documents the disproportionate emissions of top income and wealth groups, stronger evidence is needed on how this concentration translates into aggregate environmental harms, or the identification of extreme wealth thresholds. • More empirical evidence is needed around political economy channels (elite influence, lobbying, structural power) and their connections with other	

	mechanisms and harms. In particular, political economy mechanisms have rarely been studied through the lens of quantifying the impacts of extreme wealth and the relationship between political and environmental harms. • The present focus is on emissions and climate change, but a more comprehensive assessment could examine the role of extreme wealth in relation to different environmental harms (e.g. biodiversity and land-use; resource depletion and pollution) and distinguish/identify common mechanisms.
Examples of strong studies	**On wealth concentration and emissions inequality** Apeti, A. E., Bambe, B. W. W., Edoh, E. D., & Ly, A. (2025). Wealth inequality and carbon inequality. *Ecological Economics*, *227*, 108406 Büchs, Milena, Tim Goedemé, Sarah Kuypers, and Gerlinde Verbist. 2024. "Emission Inequality: Comparing the Roles of Income and Wealth in Belgium and the United Kingdom." *Journal of Cleaner Production* 467:142818 Chancel, L. (2022). Global carbon inequality over 1990–2019. *Nature Sustainability, 5*(11), 931–938. Starr, J., Nicolson, C., Ash, M., Markowitz, E. M., & Moran, D. (2023). Assessing US consumers' carbon footprints reveals outsized impact of the top 1%. *Ecological Economics*, *205*, 107698. **On nonlinear/context dependent effects of the impact of economic inequality emissions** Haciimamoglu, T., Sungur, O., Yildirim, K., & Yapar, M. (2025). Rethinking the Climate Change–Inequality Nexus: The Role of Wealth Inequality, Economic Growth, and Renewable Energy in CO2 Emissions. Sustainability, 17(8), 3335. Dorn, F., Maxand, S., & Kneib, T. (2024). The nonlinear dependence of income inequality and carbon emissions: Potentials for a sustainable future. Ecological Economics, 216, 108016.

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Environmental harms

Narrative review
by Irene Bucelli

Emissions inequality: There is now strong consensus that wealth inequality has a profound effect on the distribution of emissions. Accounting studies consistently show that emissions are highly skewed toward top income and wealth groups, with large disparities both within and between countries. The top 10%—and especially the top 1%—account for a disproportionate share of global emissions, often by large multiples compared to less advantaged groups, and this concentration has increased over time. This makes it difficult to dispute that extreme wealth is associated with very high individual environmental footprints, and that it plays a central role in shaping who contributes most to climate change.

One of the main strands of the literature focused on emissions inequality consists of accounting and attribution studies, which use consumption-based or ownership-based frameworks combined with input–output methods to allocate emissions across income or wealth groups. These studies do not attempt to estimate causal relationships; instead, they provide highly detailed and empirically grounded descriptions of how emissions are distributed across populations. Their findings are remarkably consistent: emissions are highly concentrated among top income and wealth groups, with the richest deciles accounting for a substantial share of total emissions, and this concentration increasing over time, particularly within countries (Chancel, 2022; Oswald et al., 2020; Schöngart et al, 2025). Moving beyond descriptive accounting, some recent papers (Apeti et al, 2025) find that wealth inequality contributes to emissions inequality. Alongside factors such as level of development, population growth and demographics, institutional framework and democracy level, wealth inequality itself is a significant contributory factor explaining emissions associated with the richest groups – while income inequality has no statistically significant influence on emissions inequality after controlling for these other factors. This relationship holds in higher incomes countries and some large emerging economies (China, India), especially in countries with highest levels of emissions inequalities.

At the same time, an important distinction must be drawn between household carbon footprint and the carbon intensity of consumption. The disproportionate emissions of affluent households stem mainly from the scale of their consumption but emissions inequality can be overestimated by methods that assume income or expenditure elasticity values. Pottier (2022) points to how carbon footprint grows less rapidly than expenditure and income. As households become wealthier, they tend to save and invest a growing share of their income, weakening the relationship between income and emissions. The types of goods and services purchased and their respective emissions

intensities also varies across income groups. Lower-income households devote a larger share of their budgets to emissions-intensive necessities such as food, heating, housing, and energy, whereas affluent households spend relatively more on less carbon-intensive services. The elasticity of the carbon footprint is also country-dependent and the relationship also between affluence and emissions varies substantially across countries and time periods, reflecting differences in energy systems, prices, technologies, and consumption structures. Notably the marginal emissions elasticity suggests that the climate consequences of inequality reduction depend on how this interacts with consumption changes. Redistribution of income or wealth may increase aggregate consumption and, consequently, consumption-related emissions.

In the US, Starr et al (2023) adopt a bottom-up approach to account for these differences, basing their analysis on a mean point income to CO_2 elasticity values of 0.32 (pre-tax) and 0.43 (post-tax) – by comparison, studies estimating emissions using a constant emissions elasticity values often locate this around 0.9-1.0. While smaller than studies using these top-down methods, their results still find significant disparities: the top 0.1% has an emissions share 23 times higher than their population share and 57 times higher than a bottom decile household. Carbon emissions are highly concentrated at the top of the income distribution: in 2019, the top 10% were responsible for 24% of US consumption-based emissions, the top 1% for 6%, and the top 0.1% for 2.3%. The bottom 50% accounted for 31%. Moreover, from 1996 to 2019, national average household emissions declined 16% and while the top decile also shows overall decline of 6%, the top 1% emissions increased 23% and the 0.1% by 50%. Finally, Starr et al (2023) also identify a small group of "super emitters": 1.5% of the top 0.1% households (around 1900 households) who have emissions over 3000 tonnes of CO_2 annually.

These findings suggest that while emissions associated with the marginal dollar decrease as income increases, at the extreme upper tail some households own and consume things that are qualitatively different from the rest of the population. Barros and Wilk (2021) attempt to establish billionaire carbon footprints based on public records to trace houses, vehicles, aircrafts, and yachts for 20 US and Western billionaires. Even without accounting for emissions from corporate activities, or consumptions of families, servants, and entourages they find that total annual footprints averaged 8194 t per billionaire. Emissions related to dwellings averaged 189 t per year, superyacht emissions average 7018 t per vessel, and private jet and other transportation emissions average about 2700 t. These findings are aligned with other studies that underscore how high-income households have higher-carbon lifestyles, particularly in sectors such as transport, housing, and luxury goods (Moorcroft et al., 2025; Baltruszewicz et al., 2022). This aligns with theories such as the Veblen effect, where inequality drives status-based, carbon-intensive consumption (Aye, 2020).

A major development in the accounting literature is the differentiation between consumption-based and investment-based pathways through which inequality shapes emissions. Recent work has significantly expanded the examination of the role of capital ownership. The wealthiest individuals derive a growing share of their emissions not from direct consumption, but from ownership of carbon-intensive assets and firms (Chancel & Mohren, 2025; World Inequality Report, 2026;). This

has led to the recognition that emissions inequality is not just about lifestyles, but about control over production and investment decisions. In fact, for the very richest groups, investment-related emissions often dominate total footprints, accounting for the vast majority of their climate impact (Chancel & Mohren, 2025).

Impact of inequality on aggregate emissions: the effect of extreme wealth and wealth inequality on total emissions is much less clear. Econometric studies provide mixed evidence (and often focus on income rather than wealth): some find that greater inequality increases emissions, others find no significant effect. Others find that the relationship changes depending on context, and contextual variation makes aggregate relationships difficult to identify. Overall there is no single, universal relationship between the economic inequality and emissions: the link is heterogeneous, nonlinear, and strongly context-dependent.

While accounting studies identify emissions inequalities, a different strand of the literature attempts to estimate whether inequality increases or decreases total emissions. However, the results of these analyses are not consistent: some find positive relationships (Aye, 2020; Knight et al., 2017), others find weak or insignificant effects (Mader, 2018), and still others identify nonlinear or context-dependent patterns (Dorn et al., 2024; Haciimamoglu et al., 2025). This divergence reflects both methodological challenges—such as model specification and endogeneity—and the complexity of the underlying relationship.

Angel et al (2026) also show that climate impacts may also depend on different strategies for reducing income inequality: through a large cross-country study, they find that inequality reduction via redistribution is associated with a greater increase in consumption-based emissions compared to inequality reduction via predistribution (reducing market inequality pre-taxes and transfers). Boz et al (2025) show instead that income redistribution—measured in both absolute and relative terms—is associated with reductions in average per capita carbon emissions but does not appear to significantly reduce emissions among the top 1% income group.

A key emerging pattern is the growing distinction between income inequality and wealth inequality, with the latter shown to be more relevant for explaining emissions. Studies based on income inequality—particularly those using the Gini coefficient—tend to find weak, unstable, or insignificant effects (Knight et al., 2017; Çatık et al., 2024; Jorgenson, 2017). The use of the Gini smooths over important differences within the distribution, especially at the top where emissions are most concentrated. By contrast, studies focusing on top income shares (e.g. top 10%, top 1%) and wealth find much stronger and more consistent associations, particularly for wealth (Apeti et al, 2025; Aye, 2020; Angel, 2026; Büchs et al., 2024; Haciimamoglu et al., 2025; Cambridge Sustainability Commission, 2021). In a cross-country comparative study, Angel (2026) distinguishes between concentration of wealth and income and finds that a greater share of wealth held by the top 1% and 10% significantly increases CO2 emissions from land use change (e.g resulting from deforestation

or agricultural expansion), this relationship is not found for income measures. This distinction is also underscored in other studies in relation to emissions in general (Aye, 2020; Knight, 2017).

A growing body of research has emphasised the context-dependent nature of the inequality–emissions relationship (Cho; 2021; Maranzano et al. 2022). The effect of inequality depends critically on factors such as: level of economic development; energy mix; economic structure; institutional quality and political systems which shape how inequality translates into emissions across countries and over time (Dorn et al., 2024; Andersson, 2024; Haciimamoglu et al., 2025; Martínez-Zarzoso & Pilgrim, 2023). These studies often find that inequality has different impacts depending on whether it is above or below certain levels of GDP per capita or stage of development (Wang et al., 2023; Dorn et al., 2024; Martinez-Zarzoso and Pilgrim, 2023). Some studies identify thresholds above which the positive association between inequality and environmental deterioration reverses: Wang et al (2025) shows that, in China, this would occur only at an extremely high level of inequality (Wealth GINI above 0.80). In general, there is a stronger association between inequality and emissions in high-income, high-consumption contexts (Apeti et al, 2025; Martinez-Zarzoso and Pilgrim, 2023). Dorn (2024) shows how countries like Germany, the UK, and Australia exhibit both positive and negative relationships at different times, while others like the US show more consistently positive associations. The relationship is also consistently strong in some countries (the US and France) and weaker/medium in others (Germany, the UK). The study also shows that reducing fossil energy share weakens link between inequality and emissions in high-income countries; that democracy tends to weaken the link, but effects differ in magnitude (e.g. weak in low income countries).

The literature therefore increasingly rejects the idea of a single global relationship, instead proposing that inequality operates within a set of regimes, with different mechanisms dominating in different contexts. This perspective also helps explain why earlier studies produced conflicting results: linear models effectively average across these regimes, masking underlying heterogeneity (Mader, 2018).

Several macroeconomic studies assess the role of inequality (largely focusing on income rather than wealth) in relation to the idea of an Environmental Kuznet Curve (EKC) – which posits an inverted U-shaped relationship whereby economic growth increases environmental pressure up till a threshold country income point beyond which further growth leads to environmental improvements (e.g. as economies transition toward cleaner technologies, services, and stronger environmental regulation). Consensus has not been reached around the EKC, with some evidence that economic growth does not have a uniform environmental impact – e.g. the EKC hypothesis is only found in higher income countries and in relation to some type of emissions (Martinez-Zarzoso and Pilgrim, 2023) or only in high-income high-inequality contexts. In others the relationship appears also shaped by other factors, such as education (Maranzano et al, 2022). While the debate in this area has not been settled, what emerges is that inequality doesn't just affect emissions directly, but is a factor that changes how a country's growth translates into emissions and environmental degradation. Several studies show that inequality modifies and shapes the growth-environmental degradation relationship – for instance in altering the shape and turning point of the hypothesised curve. Some studies, such as Wang (2023), suggest that inequality (measured as top 10% income share)

transforms the standard inverted-U EKC into an N-shaped curve, with double-threshold effects whereby economic growth has different impacts on carbon emissions in various income inequality ranges: initially increases per capita carbon emission, reduces them beyond a certain point but then increases them again at higher inequality levels. This relationship is especially marked in high- and upper middle income countries.

Other studies find that inequality shifts the Environmental Kuznets Curve (EKC) turning point so that higher levels of per capita income are required before environmental improvements occur . Ridzuan et al. (2019) estimate that a one-point increase in the Gini coefficient raises the income turning point by around US$1,920 per capita, suggesting that inequality may delay decarbonisation by prolonging the stage of development during which emissions continue to rise. More generally, inequality appears to condition the economic growth – emissions nexus. For instance, Akinci et al (2026) use top 1% and 10% income shares and find that income inequality amplifies the marginal effect of economic growth on carbon emissions, making growth more environmentally detrimental as top shares of income concentration increase. The effect is marked in both rich, developed economies, especially those with high emissions, and in more unequal middle-income economies which experience a more pronounced environmental cost of economic growth.

Mechanisms

The literature converges strongly on a set of underlying mechanisms linking inequality to emissions – Green and Healy (2022) provide a good summary. These can be grouped into three broad categories:

Consumption mechanisms

Inequality increases high-carbon consumption among the rich and induces status-driven consumption across society, raising overall demand for carbon-intensive goods (Chancel, 2022; Oswald et al., 2020; Aye, 2020; Morrison et al., 2025; Qin, 2022; CSC, 2021; Green and Healy, 2022).

Notably, while there is evidence that green behaviours and green adaptations increase with income/wealth (Maglicic and Vasconcelos, 2025; Moorcroft et al, 2025), they do not continue to rise (and in fact plateau or reverse) at very high levels income/wealth. An adequate level of resources is needed, especially to adopt capital intensive low-carbon technologies (EVs, heat pumps) (Moorcroft et al, 2025). However, Buchs et al (2024) for instance explore whether there is evidence of a “low-carbon elite” but find that emissions remain high and continue to rise at the top of both the income and wealth distribution. Moorcroft et al (2025) finds evidence of behavioural “lock-in” at high levels of wealth in the UK: very wealthy individuals have inelastic consumption patterns, less responsive to price signals and maintain high-carbon behaviours – for instance, because they are more likely to have global networks, which in turn lead to markedly higher global mobility and lock in aviation demand. The study also identifies some psychological mechanisms: e.g. association of over-consumption and wellbeing and underestimation of lifestyle impacts – these lead to normalising

high-carbon practices. Other studies have pointed to performativity and social signalling in motivating ecological engagement. For instance, Fan and An (2025) find evidence of contradictory behaviours: on the one hand higher socioeconomic status correlates with visible pro-environmental behaviours (e.g. recycling, green adaptations) but show less willingness to make private economic sacrifices (e.g. pay higher taxes or prices).

Investment and ownership mechanisms

Wealth concentration leads to disproportionate ownership of carbon-intensive assets, with emissions driven by capital allocation decisions rather than direct consumption (Chancel et al., 2026; Chancel & Mohren, 2025; Büchs et al., 2024; Green and Healy, 2022; World Inequality Report, 2026). Recent evidence suggests that the climate impact of extreme wealth reflects not only the scale effect (owning more assets) but also a composition effect (owning disproportionately carbon-intensive portfolios). Bua et al (2026) analyse the asset holdings of the world's 501 richest billionaires and links them to firm-level greenhouse gas emissions using an ownership-based accounting framework. The authors find that emissions are substantially more concentrated than wealth itself: around 50 billionaires account for approximately three-quarters of all emissions attributable to the sample. Importantly, 97% of the variation in emissions is explained by differences in portfolio carbon intensity, indicating that investment choices matter more than wealth levels alone. Ownership stakes in carbon-intensive sectors, particularly Basic Materials, Industrials and Utilities, account for a disproportionate share of attributed emissions, while the highest-emitting billionaires derive between 44% and 66% of their portfolio emissions from hard-to-abate sectors

There is also a growing body of research on the individual motivations and structural dynamics underpinning these investments. In Denmark, Andersen et al (2024) find that investors allocate a larger fraction of their portfolios to responsible assets after windfalls, consistent with the idea that responsible investing is perceived as a luxury good – and this is more likely to occur among those who were already more socially-oriented (e.g. had a prior history of charitable giving). Giglio et al (2025) find that investors in the US have a limited motivation to invest in green assets and have a general expectation that these underperform. The highest green portfolio holdings are among individuals who report ethics-driven investment motives and a very small minority that has return expectations. Beyond investors' preferences, there is also evidence that structural aspects of financial markets lead to a 'pollution premium' (Hsu et al, 2023; Bolton and Kacperczyk, 2021), with firms with higher toxic emissions generating higher returns than cleaner firms within the same industry. High-emission firms are more exposed to regulation regime change risk and thus earn higher average excess returns as risk premia – this means that investors demand higher returns in face of risk associated with climate mitigation policies. This is reflected in the fact that a carbon/pollution premium varies across countries, and it is stronger in regions with stricter or more uncertain climate policy (Bolton and Kacperczyk, 2021).

Political economy mechanisms

Political economy channels are consistently evoked in the literature to explain the environmental impacts of wealth. Economic elites can exert disproportionate influence over policymaking, leading to weaker environmental regulation and delayed climate action (Morrison et al., 2025; Stoddard et al., 2021; Boyce, 1994, Green and Healy, 2022). The empirical evidence of this channel in econometric studies is emerging, for instance, Apeti et al (2025) finds that inequality can erode regulatory capacity in contexts of weak governance. Some studies identify inequality as moderating the influence of democracy on environmental performance (Bakaki et al, 2022). They also find evidence of some threshold effects, whereby democracy is positively linked to environmental outcomes only at relatively low levels of inequality (Income Gini ≈ 0.35), while the effect weakens becoming not significant and eventually turns negative (and significant) at higher levels (≈ 0.45 and above). Not directly addressing the issue of inequality or wealth, Boyce et al (1999) conducted a cross-sectional analysis to find an association between higher levels of power inequality (measured as voter participation, tax fairness, Medicaid access, and educational attainment) and weaker environmental policy stringency across U.S. states. In a recent review of the economics literature, Drupp et al (2025) find still a limited evidence base exploring political influence channels, pointing to the difficulties raised by the many factors which co-vary with both inequality and environmental outcomes. In a similar scoping review – considering a broader literature, including on wealth inequality – Elie et al (2025) find stronger evidence that inequality hinders the adoption of environmental policies in low-income countries, but also that greater inequality increases environmental degradation in more democratic regimes. They link these findings to a different political economy channel – whereby inequality lowers the income of the median voter relative to the mean, reducing demand for environmental protection and thereby weakening political incentives for environmental protection policy (Magnani, 2000). There are thus suggestive relationships with other mechanisms and harms explored in the reviews: the effects of inequality on poverty, for instance, are linked to climate harms as those in a more insecure financial position are more likely to oppose climate policies due to perceived inflationary effects on salient household consumption items or their limited ability to invest in costly energy-efficient or low-carbon products (Green and Heath, 2022).

Harms to social cohesion can also bear on environmental outcomes, as weaker social bonds between groups can make people less likely to cooperate for the collective good and take collective action on environmental issues (Smith and Mayer, 2018; Davidovic and Harring, 2020, Tamasiga et al, 2024). A further mechanism, difficult to study or establish empirically, concerns the structural influence of wealthy concentration and its link to control over production. When extremely wealthy actors consistently invest in carbon-intensive activities and dominate key economic sectors, political leaders may be incentivised to accommodate their interests. This dynamic can occur even in the absence of direct influence, such as lobbying or corruption, as policymakers anticipate the preferences of powerful economic elites and avoid policies that could threaten their investments thereby reinforcing carbon-intensive development pathways.

There is also a growing literature on climate obstruction. This literature, encompassing perspectives from political science, law, environmental sociology, has not quantified impacts but has detailed how industries, wealthy individuals, and their foundations coordinate their efforts in a variety of ways to slow or stop regulatory efforts and advance ideas ranging from climate denial to dismissing and resisting climate solutions (Brulle, 2014; Brulle et al, 2024; Farrell, 2016; Lamb et al, 2020; Franta, 2022). This literature has shown, for instance through analysis of public transcripts and policy documents, key informant interviews or direct observation of negotiations, the different tactics used, across decades, by different actors to slow climate action progress at both national and more local level in different countries (Falzon et al, 2023; Eskridge-Aldama, 2025). In their volume on climate obstruction in Europe, Roberts and Brulle (2024) point to how the structural economic conditions in each country shape both climate action and the range of actors and strategies relevant to climate obstruction. Climate obstruction takes place by engaging directly with policy-makers through lobbying, or via revolving door mechanisms connecting politics and business, but also by trying to shape public narratives using media, think tanks, university programmes, PR and law firms, and front groups. They also underscore the importance, and growing role, of international networks which, often originating in US conservative think tanks, export their approach to obstructing climate action to Europe and other countries. The most prominent example of this is the Atlas Network (Graham, 2024; Vucetic, 2024). While a large focus is on the US and Western countries, there is an emerging literature underscoring both commonalities across contexts and specificities rooted in both history and economic structure. For instance, there is a growing literature on climate obstruction in Brazil and the role of agribusiness and its political ties (Diaz and Issberner, 2026; Milani and Doctor, 2024; Milani et al, 2026).

This is not to overlook the significant resources that many extremely wealthy individuals devote to climate philanthropy (Ackva et al, 2021; Gadd and McLeod, 2026). Philanthropic climate funding has been growing in the past decade and it plays an important role in different regions of the world in terms of supporting climate mitigation, especially around renewable energy transition, low-carbon cities, and capacity-building (Kwanhi et al, 2025). Between 2020 and 2023, private philanthropy contributed approximately USD 3.7 billion to general environmental protection, accounting for 5% of total philanthropic funding for development (OECD, 2026). There is an emerging literature examining the role of billionaires and philanthropic foundations as leaders of climate governance (Gruby et al, 2026). Liu and Monier (2023) describe the hybridity of climate philanthropy, which can be seen in relation to some prominent public cases where several philanthropic foundations supporting climate action were found to still invest in fossil fuels or in environmentally harmful activities. As both mission and financial actors, a tension can emerge between value-driven and profit-driven activities, grounded in the endowment that financially underpins their mission work and which can take contradictory turns depending on the investment policy. Limited but rapidly growing, the academic literature underscores several challenges in terms of a lack transparency and accountability, limited democratic participation in agenda-setting and marginalization of alternative solutions and voices (Betsill et al, 2022; Papin and Beauregard, 2024). Some studies have further underscored how financial support for environmental programmes and initiatives has been used as political leverage to extract substantial political and fiscal commitments (Beer, 2023; Barral, 2025).

This underscores not only the unequal capacities of these actors to participate in policymaking and extract benefits in the political and economic realm, but also points to challenges in connecting strategies relying on extreme wealth to achieve environmental progress and political harms.

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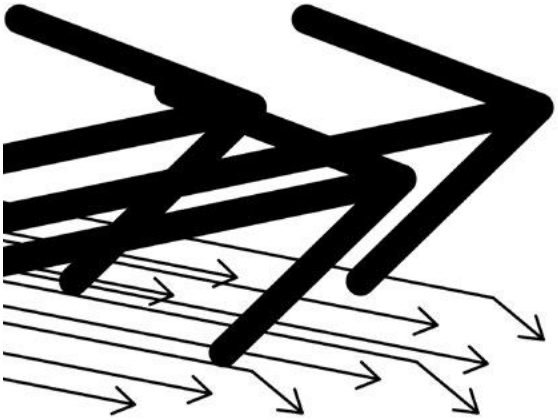
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Country case study: UK

Extreme Wealth Harms: The UK Case

By Eleni Karagiannaki

1. Background

There is an increasing recognition of the importance of distinguishing between wealth inequality (i.e. disparities in wealth holdings across the population as a whole) and extreme wealth concentration. Indicators such as the Gini coefficient and top wealth shares provide valuable insights on the distribution of wealth including its concentration among the wealthiest groups, but they do not fully capture the accumulation of exceptionally large fortunes whose scale creates the potential for economic, political, social, and environmental harms (Burchardt, et al., 2026; Robeyns et al., 2026). As highlighted in the broader evidence review of the harms of extreme wealth (Bucelli et al., 2026), extreme wealth is associated with a range of qualitatively distinct behaviours, including patterns of portfolio allocation, political engagement and influence, that shape economic and institutional outcomes in ways that may generate economic, social and environmental harms.

This paper forms part of a series of country case studies reviewing the evidence on the political, economic, social and environmental harms associated with extreme wealth in specific national contexts. The present study focuses on the UK, a country characterised by high levels of wealth inequality but more importantly by high levels of wealth concentration especially at the very top of the distribution. This concentration has become increasingly high in recent decades. As shown in Figure 1, the World Inequality Database estimates the share of wealth held by the top wealth groups increased markedly from the 1980s onwards, particularly at the very top of the distribution, with the top 0.1 per cent, 0.05 per cent and 0.01 per cent experiencing larger gains than the top 1 per cent (World Inequality Database, 2024) outpacing average incomes and median wealth growth (Atkinson, 2015; Alvaredo et al., 2018).[3] Evidence of increasing extreme wealth concentration is further

[3] The Wealth and Assets Survey (WAS), which is the primary wealth data in the UK, provides a comprehensive picture of household wealth across the distribution but is widely recognised to suffer from systematic under-coverage at the top (Advani and Summers, 2020) especially over the 0.01% where wealth is often held through private companies, trusts, and offshore wealth (Zucman, 2013; Alstadsæter, Johannesen and Zucman, 2018), masking both the scale and the concentration of top-end

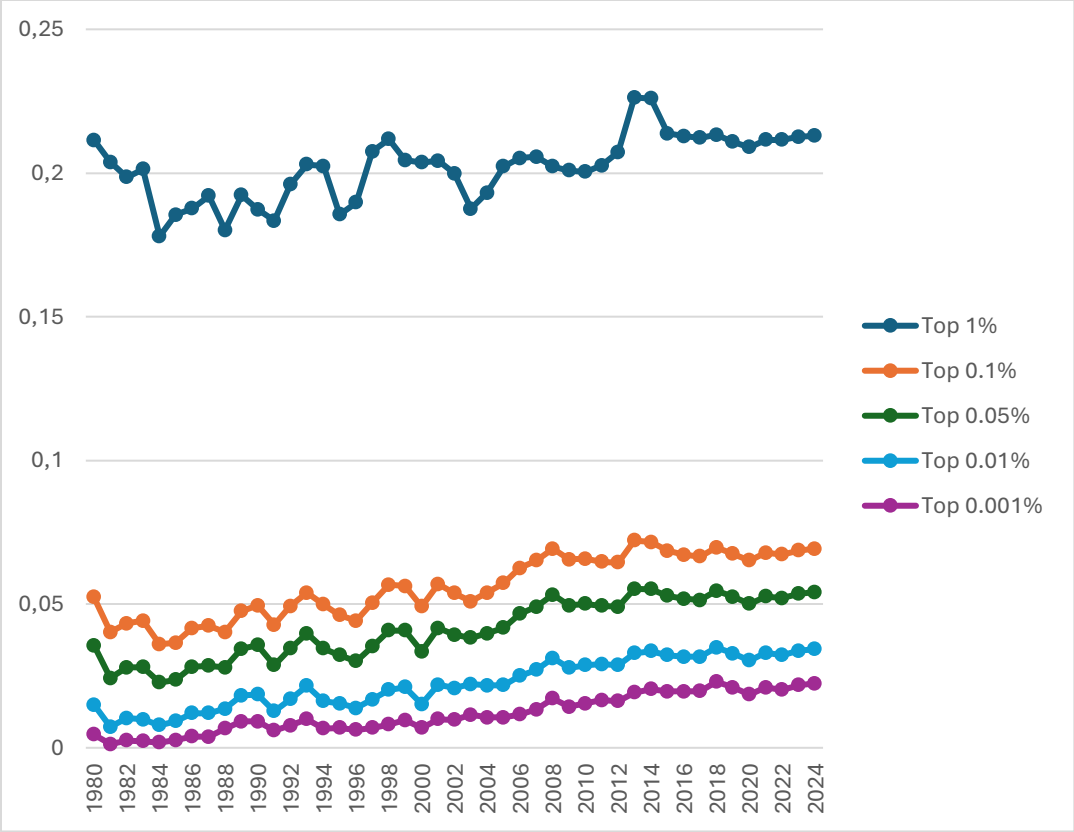
supported by rich-list data, such as the Sunday Times Rich List, which indicate substantial growth in billionaire wealth over recent decades.[4]

These patterns underline the importance of analysing both the dynamics and the consequences wealth concentration and extreme wealth in the UK. Beyond the high and rising levels of extreme wealth, the UK provides a particularly instructive setting for examining the mechanisms through which the associated harms of extreme wealth operate. Its economic structure, characterised by a high degree of financialization, the centrality of housing markets, and relatively light taxation of wealth, creates favourable conditions for the accumulation of large fortunes (Advani, Hugson and Tarrant, 2021; OECD, 2018). At the same time, the UK's institutional framework plays a critical role in shaping how extreme wealth is accumulated, preserved, and translated into economic and political influence, making it a particularly relevant case for understanding the broader social and economic implications of wealth concentration. The next section therefore examines the main institutional frameworks within which extreme wealth operates in the UK, while the subsequent section reviews the available evidence on its economic, political, social and environmental harms.

Figure 1: Top wealth concentration in the UK, 1980-2024 WID

wealth especially extreme wealth. To address these limitations, a growing body of research combines survey data with administrative tax records, national accounts, and external data sources such as rich lists. These methods consistently indicate that wealth concentration at the top is substantially higher and grew more than standard survey-based estimates suggest (Chancel et al.,2022; Advani, Bangham and Leslie, 2021).

[4] This trend followed a long declining trend in the share of wealth. While these sources do not capture the full distribution and may underestimate hidden assets, they offer valuable insights into the upper bound and growth of very large fortunes.



Source: Data Downloaded from wid.world on 21-05-2026. WID - World Inequality Database. https://wid.world/

2. Institutional and Structural Context

This section outlines the key institutional and structural features that shape both the accumulation of extreme wealth and the channels through it exerts influence in the UK. It begins by examining the taxation of wealth and the institutions governing housing, land and financial markets, before turning to the political and regulatory frameworks that shape the extent to which concentrated wealth can be translated into political influence, agenda-setting power and institutional advantage. The section concludes by considering the environmental institutions and regulatory frameworks that influence the distribution of environmental costs, benefits and opportunities. Together, these institutional arrangements provide the framework within which extreme wealth is accumulated, preserved and exercised in the UK shaping its wider economic, political, social and environmental consequences.

2.1. Taxation Institutions

While the UK is often characterised as having a progressive income tax system, the taxation of wealth itself is comparatively light and uneven, with the inconsistent treatment of different forms of wealth and asset classes creating distortions, avoidance opportunities and a lack of coherence across the tax system (Summers, 2021; Advani, Hughson and Tarrant, 2021; OECD, 2018). Although the system

relies on a range of instruments (including income tax on capital income, capital gains tax, and inheritance tax) these operate in a fragmented manner and fail to capture wealth systematically. This is particularly evident in the treatment of capital gains which are typically taxed at lower rates than labour income. Because tax liabilities arise only when assets are sold, wealth holders can defer taxation indefinitely by retaining appreciating assets, and where such assets are passed on at death, the 'death uplift' effectively removes the accrued capital gains tax liability, allowing large amounts of wealth appreciation to escape taxation entirely (Advani and Summers, 2020; Advani et al., 2021). For individuals with substantial portfolios, especially those holding equities, real estate, or business assets, this creates strong incentives to shift income into capital gains, thereby reducing effective tax liabilities. Such asymmetries contribute directly to the growth of top-end wealth concentration. Although the UK is not unique in exhibiting these features, the combination of high asset values, particularly in housing, and relatively weak taxation of wealth makes it a particularly important case. International comparisons indicate that the UK raises a comparatively large share of revenue from property and asset-related taxes (Aldridge et al, 2026). However, much of this revenue derives from taxes that are only weakly linked to the concentration of extreme wealth, while preferential treatment and reliefs within the tax system limit the extent to which very large fortunes are taxed (OECD, 2018; Advani, Hughson and Tarrant, 2021).

Inheritance taxation further reinforces these patterns. Although the UK formally levies inheritance tax (IHT), the effective tax on inherited wealth has historically been constrained by extensive exemptions and reliefs (including business property relief and agricultural property relief, which reduce or eliminate tax on qualifying business and farming assets; spousal exemptions that allow wealth transfers between partners tax-free; and the preferential treatment of pension wealth and lifetime gifts), which disproportionately benefit the largest estates and substantially narrow the tax base (Advani et al., 2020; Office of Tax Simplification, 2020). Evidence shows that these reliefs are highly concentrated, with most of their fiscal cost accruing to estates with assets exceeding £1 million, indicating that they disproportionately benefit the wealthiest households (House of Commons, 2026). Consistent with this, recent analysis highlights fundamental design problems, noting that the preferential treatment of business assets, pensions and certain property transfers opens up substantial avenues for avoidance, distorts economic behaviour, and undermines equity (Advani and Sturrock, 2023). These features are particularly pronounced at the very top of the distribution, given that those with the largest estates have the capacity to restructure assets in ways that take advantage of available reliefs. This gives rise to a selective and weakly progressive system in which relatively few estates are liable for inheritance tax (around 4% of deaths result in a charge), while many high-wealth households are able to transmit substantial assets with limited taxation. Although inheritance tax raises a comparatively large share of revenue in the UK by international standards, it nevertheless represents only a small proportion of total tax revenues and remains limited relative to the scale of wealth transfers taking place. The UK therefore illustrates a broader pattern whereby inheritance taxation plays only a modest role in constraining the accumulation and intergenerational transmission of large fortunes despite comparatively high headline tax rates (OECD, 2021). Effective tax rates therefore decline at the top of the distribution, reflecting both the availability of reliefs and greater scope for tax planning (Broom, 2021; Corlett, 2018; Bourquin et al.,

2021). As a result, the current design of inheritance tax does not significantly constrain the accumulation, preservation and intergenerational persistence of wealth. Rather inheritance is becoming an increasingly important driver of inequality: for those from wealthiest backgrounds, it is projected to make up a substantial and rising share of lifetime resources, reinforcing the intergenerational concentration of wealth. Evidence from analyses of the Sunday Times Rich List further suggests that property, inheritance and financial assets account for a growing share of Britain's largest fortunes, highlighting the importance of intergenerational wealth transfers and asset ownership in sustaining extreme wealth over time (Equality Trust, 2025).

Recent reforms enacted through the Finance Act 2026 mark a partial policy shift, bringing unused pension wealth into the IHT base from April 2027, alongside changes from April 2026 that cap Business Property Relief (BPR) and Agricultural Property Relief (APR) full relief at £2.5 million, with reduced relief thereafter. However, these measures remain limited: generous thresholds persist, relief rates continue to be preferential, and other avoidance channels, such as lifetime gifting, are largely unchanged. Thus, despite some broadening of the tax base, the UK inheritance tax system continues to play only a limited role in taxing large intergenerational wealth transfers providing substantial scope for the preservation and transmission of extreme wealth across generations.

Property taxation also plays an important role in shaping the accumulation and preservation of wealth. Council tax, the main recurrent tax on residential property, is fundamentally structured as a housing consumption tax paid by occupiers rather than a tax on capital wealth. Furthermore, it remains highly regressive relative to actual property values due to its banded structure and reliance on outdated 1991 valuations in England (Aldridge et al., 2026). Stamp duty land tax is more progressive in design, with higher marginal rates applied to more expensive properties; however, as a transaction-based tax levied only at the point of sale, it does not provide a sustained or proportional tax on the ongoing ownership of property wealth (Aldridge et al., 2026). Also, its episodic nature limits its effectiveness in addressing the long-term accumulation of housing wealth and introduces significant economic distortions by discouraging transactions, reducing mobility, and locking households into suboptimal housing choices (Johnson, 2016). Given the importance of property and land within the wealth portfolios of the extremely wealthy individuals in the UK, these features result in an under-taxation of property wealth and limit the overall progressivity of the tax system.

Finally, although not a UK-specific issue the capacity for tax planning and avoidance also plays a critical role in shaping the effective taxation of wealth. International evidence suggests that a significant share of global wealth is held offshore, with a disproportionate concentration among the super-rich, implying that standard domestic tax systems capture only a fraction of extreme wealth (Zucman, 2013). International evidence further suggests that offshore wealth is particularly concentrated among those at the very top of the distribution. For the UK, estimates indicate that between 30 and 40 per cent of the wealth owned by the richest 0.01 per cent of households is held offshore (Alstadsæter, et al, 2018). Key features enabling this is the use of trusts, corporate structures and cross-border arrangements. The UK's integration into global financial networks but also its historical connection to offshore financial centres facilitates the use of such strategies,

further limiting effective taxation at the very top (Zucman, 2013; Alstadsæter et al., 2018). This is also reflected in patterns of offshore ownership of UK property, which commonly operates through complex, multi-layered structures involving shell companies and trusts across multiple jurisdictions, often including UK-linked territories such as the British Virgin Islands and Jersey (Surak, 2026). According to Surak (2026), while transparency reforms introduced in 2022 have improved disclosure, significant loopholes remain, particularly thresholds that allow ownership to go undeclared, with some jurisdictions providing limited oversight and disclosure requirements that obscure beneficial ownership and hinder the effective taxation of wealth at the top.

2.2. Housing, Land and Property Institutions

A central feature of the UK economic model is the role of housing in the accumulation and intergenerational transmission of wealth. In this context, rather than functioning as a neutral channel of investment, the housing market has evolved in ways that increasingly reflect the influence of extreme wealth, reinforcing wealth concentration at the top. Consistent with this, Ryan-Collins, Lloyd and Macfarlane (2017) highlight that the UK housing system is increasingly characterised by the treatment of land and property as financial assets, with price dynamics driven less by construction costs and more by land scarcity, credit conditions and speculative expectations.

These developments have translated into sustained increases in house prices over recent decades, particularly in London and the South-East, generating large capital gains for property owners (Ryan Collins, Lloyd and Macfarlane, 2017; Hilber and Vermeulen, 2016; Hills et al., 2013). While owner occupation remains relatively widespread and a large proportion of households have benefited from rising house prices, these gains have accrued disproportionately to wealthier groups, including the extremely wealthy, who are more likely to own high-value properties and larger property portfolios. At the same time those not already on the housing ladder (and particularly younger generations and lower-wealth groups) are increasingly excluded from these gains (Pittaway, 2024; Bourquin et al., 2021).

These outcomes are shaped in part by institutional arrangements that influence the value of land and property assets. Land-use regulation is one of the key institutional mechanisms shaping land and property values, and therefore patterns of wealth accumulation. In the UK, the planning system plays a central role in this process through decisions regarding planning permissions, development rights, land-use designations, Green Belt restrictions and infrastructure provision. A substantial body of research indeed shows that planning restrictions have constrained the responsiveness of housing supply to demand, particularly in economically successful and high-demand areas, contributing to land scarcity, rising house prices and increasing land values (Cheshire and Sheppard, 2002; Cheshire, 2014; Hilber and Vermeulen, 2016). Because the ownership of high-value land and property assets is itself highly concentrated, gains from land appreciation tend to accrue disproportionately to the extremely wealthy

The institutional framework governing development also influences how the gains arising from these processes are distributed. Although mechanisms such as Section 106 agreements (developer contributions towards affordable housing and local infrastructure) and the Community Infrastructure Levy (a charge on new developments used to fund local infrastructure) seek to capture part of the increase in land values generated by planning decisions for public purposes, evidence suggests that a substantial share of these gains continues to be retained by private landowners and developers (UK Parliament, 2025; UK Collaborative Centre for Housing Evidence, 2024). Consequently, debates over land value capture concern not only housing and infrastructure provision, but also whether gains arising from land ownership and development rights are retained privately or shared more broadly across society.

The significance of these privately retained gains depends largely on who owns the underlying land and development rights. Estimates suggest that less than 1% of the population owns around half of the land in England (Shrubsole, 2019; Fairness Foundation, 2024). Consequently, increases in land values arising from planning decisions, infrastructure investment and changes in development rights tend to accrue disproportionately to a relatively small group of landowners and developers. The granting of planning permission, particularly for residential development, can increase land values many times over, generating substantial windfall gains that derive primarily from regulatory decisions rather than productive activity (UK Collaborative Centre for Housing Evidence, 2024; UK Parliament, 2025).

As a result, planning-generated increases in land values can reinforce the persistence and intergenerational transmission of wealth, allowing gains arising from land ownership to be converted into concentrated private fortunes (Ryan-Collins, Lloyd and Macfarlane, 2017; Cheshire, 2014; UK Collaborative Centre for Housing Evidence, 2024).

The Green Belt provides a particularly important example of the interaction between regulation, land scarcity and asset values. While originally designed to contain urban expansion and protect open land around cities, Green Belt restrictions also constrain the supply of developable land around economically successful urban areas. Research suggests that these restrictions contribute to higher land and house prices by increasing the scarcity value of developable land (Cheshire, 2014; Hilber and Vermeulen, 2016) benefiting disproportionately existing landowners and property owners while creating higher barriers non homeowners (Centre for Cities, 2024).

These dynamics have been further reinforced by the expansion of mortgage credit, which has channelled a disproportionate share of bank lending into property markets rather than productive investment (Ryan Collins, Lloyd and Macfarlane, 2017). Within this system, banks predominantly lend against existing property assets, creating a self-reinforcing cycle in which rising credit supports higher house prices, while rising asset values support further borrowing. Because access to credit is closely tied to existing assets and collateral, those holding substantial property wealth, including the extremely wealthy, are often better positioned to leverage their assets and secure additional finance.

As a result, credit expansion can amplify existing wealth inequalities, reinforcing the mutually reinforcing relationship between property wealth, rising asset values and wealth concentration.

Taken together, these dynamics help explain why housing and land play a central role in the accumulation and persistence of extreme wealth in the UK. As discussed earlier, evidence from analyses of the *Sunday Times Rich List* highlights the importance of property, land and related assets in many of the UK's largest fortunes (Equality Trust, 2025). Housing therefore functions not only as a source of shelter and consumption, but also as a key mechanism through which wealth concentration is accumulated, preserved and transmitted over time.

2.3. Financial Markets Institutions

As one of the world's leading financial centres, the UK provides access to a wide range of financial instruments and markets, enabling wealth holders to generate returns through capital gains, portfolio diversification and leveraged investment (OECD, 2020; Greenwood and Scharfstein, 2013). Access to these opportunities is highly uneven and becomes particularly important at the upper tail of the wealth distribution, where large asset holdings provide greater scope to benefit from financial market returns. This is reflected not only in the size of the UK's high-net-worth population, (3 million people hold net wealth above £1 million according to Advani et al., 2021), but also in the large number of billionaires and ultra-high-net-worth individuals: according to the *Sunday Times* Rich List around 157 billionaires were recorded in 2026, up from just 15 in 1990, with their combined wealth now accounting for over one-fifth of UK GDP (Equality Trust, 2025; *Sunday Times* Rich List, 2026). Moreover, the same data show that a substantial share of this wealth is linked to inheritance, property, and financial assets: more than half of the richest households have inherited their wealth or businesses, while property, inheritance, and finance together account for a large share of billionaire wealth in the UK (Equality Trust, 2025). These patterns, in turn, reflect and reinforce the UK’s integration into global financial networks, facilitating not only the accumulation of large fortunes but also their persistence and expansion over time, as wealth holders are able to diversify assets, access global investment opportunities, and make use of cross-border structures that support wealth preservation.

The process of financialization and the increasing role of financial markets relative to the real economy have further amplified these dynamics, as returns are increasingly generated through asset price movements rather than productive activity. This disproportionately benefits existing asset holders and reinforces a feedback loop in which rising asset values expand their capacity to accumulate further wealth (Haldane, 2015; Haldane, 2018). These dynamics are further reinforced by the UK’s integration into global financial networks. As discussed earlier, offshore structures, international investment vehicles, and cross-border financial services can facilitate the management and protection of extreme wealth limiting the effectiveness of national taxation and policy interventions (Zucman, 2013; Alstadsæter, Johannesen and Zucman, 2018).

Overall, the institutional landscape of housing and financial markets in the UK produces a system in which wealth is generated and sustained primarily through asset appreciation rather than through productive investment. While to some extent these processes contribute to wealth creation, as will be discussed in section 3 they also generate broader economic distortions, which diverge capital away from productivity-enhancing activities and contribute to political and social harms through the concentration of influence, the unequal distribution of opportunity, and the erosion of social cohesion.

2.4. Political and Democratic Institutions

This section examines the institutions governing political finance, lobbying, media ownership, transparency and ownership disclosure. While these arrangements are intended to safeguard democratic accountability and constrain undue influence, their design and effectiveness shape the extent to which extreme wealth can be translated into political influence, agenda-setting power and broader forms of institutional advantage.

Political finance: The regulation of political finance is a particularly important component of the UK's institutional framework because it governs the extent to which private wealth can be converted into political influence. The UK operates what is commonly described as a voluntarist model of political finance, under which political parties rely primarily on private donations, membership fees, and affiliated organisations rather than extensive state funding. The framework is principally governed by the Political Parties, Elections and Referendums Act 2000 (PPERA), which permits parties to accept donations only from "permissible donors", including individuals on the UK electoral register and certain UK-based organisations, while requiring donations above specified thresholds to be reported to and published by the Electoral Commission (Electoral Commission, 2024; House of Commons Library, 2025).

This system places considerable emphasis on transparency rather than limits on the concentration of funding. Unlike many advanced democracies, the UK does not impose an overall cap on the amount that an individual may donate to a political party, provided the donor is eligible under PPERA (House of Commons Library, 2025; Electoral Reform Society, 2025). Consequently, while the UK political finance regime is often regarded as comparatively transparent, it permits substantial concentrations of political funding from a relatively small number of wealthy individuals.

Recent evidence indicates that political donations have become increasingly concentrated among a relatively small number of wealthy donors (Autonomy Institute, 2024; Transparency International UK, 2026). The Autonomy Institute (2024) documents a long-term trend towards growing reliance on large individual donors and increasing concentration in party funding, while Transparency International UK (2026) reports a dramatic increase in the importance of so-called "mega-donations", with contributions of £1 million or more rising from around 1% of private political funding in 2015 to more than 35% in recent years. Electoral Commission data also show historically high

levels of political donations and indicate that a substantial share of party funding is derived from a relatively small number of large donors (Electoral Commission, 2025; Electoral Commission, 2026).

Financial contributions are important because they may provide privileged opportunities for political engagement, access and influence. Research shows that political donations can facilitate access to policymakers (Kalla and Broockman, 2016; Liu, 2022). In the UK, the increasing importance of "super-donors" (Draca, 2022) and the association between major donations and appointments to the House of Lords (Radford, Mell and Thévoz, 2020) have raised concerns regarding unequal access to political institutions and agenda-setting processes, even if direct links to policy outcomes remain difficult to establish.

These concerns have fuelled debate over the adequacy of existing regulation. While recent reforms have focused primarily on transparency and foreign influence, the UK continues to rely largely on disclosure requirements rather than limits on the concentration of domestic political funding (Electoral Commission, 2026; Advani et al., 2026; House of Commons Library, 2025). Political finance therefore remains an important institutional channel through which extreme wealth may gain privileged access to, and potentially influence, democratic processes.

Lobbying, Access and Policy Influence: Lobbying constitutes an important component of the policy environment through which organised interests engage with government and public institutions. Research suggests that the UK lobbying industry is one of the largest in the world, with more than 4,000 lobbyists operating at Westminster, while the regulatory framework has been characterised as fragmented and limited in scope, relying heavily on transparency mechanisms and capturing only part of lobbying activity (Crepaz and Worthy, 2024).

The UK lobbying framework relies on a combination of statutory regulation, transparency requirements, and codes of conduct governing interactions between policymakers and external interests. The principal legislative framework is provided by the *Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014*, which established the Office of the Registrar of Consultant Lobbyists and a statutory register for consultant lobbyists. However, the regime has been criticised as relatively limited in scope. The register applies only to third-party consultant lobbyists, excluding most lobbying undertaken by corporations, trade associations, charities and other organisations through in-house public affairs teams, while primarily covering communications with ministers and permanent secretaries and leaving many interactions with special advisers, senior civil servants and other policymakers outside the statutory disclosure regime (House of Commons Library, 2025; Crepaz and Worthy, 2024; McKay and Wozniak, 2020).

Additional transparency mechanisms, including ministerial meeting registers, declarations of gifts and hospitality, and departmental transparency releases, are intended to improve accountability. Nevertheless, reviews of the system suggest that only a limited proportion of lobbying activity is visible through existing disclosure arrangements (House of Commons Library, 2025; Crepaz and Worthy, 2024). Using ministerial meetings data and lobbying register data, McKay and Wozniak (2020) identify substantial discrepancies between the available sources, suggesting that current transparency arrangements provide only a partial picture of lobbying activity directed at government.

Critics also argue that published records often provide insufficient information regarding the purpose and substance of meetings, limiting their value for effective public scrutiny (Transparency International UK, 2025; Spotlight on Corruption, 2025).

Additional concerns relate to channels of access operating outside formal lobbying procedures. All-Party Parliamentary Groups (APPGs), while lacking formal legislative status, provide forums through which parliamentarians engage with businesses, trade associations, charities and campaign organisations. Their ability to receive external funding, secretariat support and other forms of external assistance has led parliamentary reviews to raise concerns regarding privileged access and agenda-setting opportunities for organised interests (House of Commons Public Administration Select Committee, 2009; House of Commons, 2026). Concerns also arise regarding the so-called revolving door between public office and private interests. The Advisory Committee on Business Appointments (ACOBA) oversees post-public-employment appointments taken up by former ministers and senior civil servants but operates on an advisory basis and lacks formal enforcement powers, meaning that compliance relies largely on voluntary adherence to its recommendations (Crepaz and Worthy, 2024; House of Commons Library, 2025).

These institutional arrangements shape opportunities for participation in policymaking processes even if exercised through access, information provision, agenda-setting and sustained engagement rather through explicit exchanges. Actors with greater financial and organisational resources are often better placed to utilise these channels, enabling more sustained engagement with policymakers. Evidence from ministerial meeting records suggests that access is unevenly distributed, with a relatively small number of organisations accounting for a disproportionate share of ministerial engagement (McKay and Wozniak, 2020). This has contributed to ongoing debate regarding whether existing transparency arrangements are sufficient to address inequalities in political access and representation (Crepaz and Worthy, 2024; Unlock Democracy, 2025; Transparency International UK, 2025).

2.5. Media and Information Institutions

Media systems play an important role in shaping public debate, framing political issues and influencing electoral behaviour. The UK maintains a range of regulatory mechanisms intended to safeguard competition, media plurality and democratic accountability, including (1) Ofcom (the statutory communications regulator responsible for broadcasting standards, media plurality assessments and due impartiality requirements); (2) the Competition and Markets Authority's Digital Markets Unit (responsible for promoting competition in digital markets) and; (3) the Press Recognition Panel (the body established under Royal Charter to assess whether press self-regulators meet recognised standards of independence and effectiveness) (Ofcom, 2024; CMA, 2024; Press Recognition Panel, 2024).

These institutions operate within a broader framework designed to promote media plurality and address concerns regarding concentration through a combination of broadcasting regulation, media

plurality rules, competition law and merger review processes. Ofcom has statutory duties to monitor media plurality and can advise government on media mergers where concerns arise regarding the concentration of influence (Ofcom, 2024). In broadcasting, Ofcom's Broadcasting Code requires due accuracy and due impartiality in news and current affairs programming, providing an additional safeguard against excessive editorial influence over broadcast news coverage (Ofcom, 2024). However, these protections apply primarily to broadcasting and do not extend in the same way to newspapers or many online media platforms.

In response to the increasing importance of digital media, the UK established the Digital Markets Unit within the CMA to oversee firms with substantial market power in digital markets and address concerns relating to competition and platform dominance (Competition and Markets Authority, 2024). While these measures are primarily concerned with competition rather than media plurality, they increasingly form part of the wider regulatory architecture governing information and communications markets. These institutional arrangements provide the context within which the relationship between extreme wealth, media ownership and political influence operates. Section 3.2 examines the extent to which extreme wealth may translate into informational and political advantages despite the presence of these safeguards.

2.6. Environmental and natural resources regulation

Environmental regulation and governance form an important part of the institutional framework through which the environmental consequences of economic activity are managed in the UK. By setting rules on emissions, land use, environmental assets and access to natural resources, these institutions not only shape the distribution of environmental costs and benefits across society but may also interact with patterns of wealth concentration by influencing asset values, investment opportunities and the allocation of environmental resources.

The UK's climate governance framework is centred on the Climate Change Act 2008, which established legally binding emissions reduction targets and a system of five-year carbon budgets (i.e. legally binding caps on UK greenhouse gas emissions over successive five-year periods). Oversight is provided by the independent Climate Change Committee (CCC), which advises government on emissions pathways and reports on progress towards climate objectives. Alongside climate-related requirements within the planning system, including those contained in the National Planning Policy Framework, these institutions provide the principal framework through which climate objectives are incorporated into public policy and economic decision-making (Climate Change Act 2008; CCC, 2024; Department for Levelling Up, Housing and Communities, 2024).

Beyond climate governance, the Environment Act 2021 strengthened environmental oversight and introduced measures including Biodiversity Net Gain (BNG) requirements (which require most new developments to deliver at least a 10 per cent measurable increase in biodiversity value relative to pre-development conditions) and Local Nature Recovery Strategies (spatial plans developed by responsible authorities to identify priorities and opportunities for habitat restoration, nature recovery and biodiversity enhancement at the local level) (Environment Act 2021). These reforms

reflect a broader shift towards incorporating concepts of natural capital into environmental policy, recognising ecosystems, biodiversity and environmental resources as assets that generate economic, social and environmental value and encouraging greater integration of environmental considerations into planning, land management and investment decisions (Helm, 2015; Environment Act 2021).

The reforms also incorporated into environmental governance concerns not only about environmental protection but also the allocation of environmental costs, benefits and resources across society. As these distributional questions inevitably involve competing interests and priorities, environmental policymaking operates within a broader political and economic context, involving interaction between governments, businesses, investors, landowners and civil-society organisations. Because environmental regulation, land-use decisions and natural resource management can have significant implications for asset values, investment opportunities and economic activity, environmental governance extends beyond environmental protection alone and encompasses broader economic and distributional concerns.

Given that many individuals and institutions controlling substantial wealth possess significant interests in sectors directly affected by climate and environmental policy, including land and property development, energy, infrastructure, natural resources and carbon-intensive investments, environmental policymaking may become an important arena in which they seek to engage. The distributional and economic significance of environmental decisions therefore raises questions about whose interests are most effectively represented within environmental governance processes. Similar to the patterns discussed in relation to political institutions, the evidence is generally stronger in demonstrating unequal access to environmental policymaking processes and participation in policy debates than in establishing direct links between extreme wealth and particular environmental policy outcomes. Research on UK climate policymaking suggests that actors possessing substantial financial, organisational and technical resources may derive influence through their ability to provide expertise, policy information and investment capacity valued by governments (Carter and Jacobs, 2014; Lockwood, 2013). Section 3.4 considers further how disparities in resources and access associated with extreme wealth may shape environmental agendas and policy debates, and the extent to which these processes contribute to environmental inequalities and harms.

3. Extreme Wealth Harms

Having outlined the institutional framework within which extreme wealth operates, this section examines the evidence on the economic, political, social and environmental harms associated with extreme wealth in the UK. Section 3.1 considers economic harms, Sections 3.2 and 3.3 examine political and environmental harms respectively, while Section 3.4 focuses on social harms.

3.1. Economic Harms

As highlighted in the international evidence review of extreme wealth harms (Bucelli et al, 2026), an expanding body of evidence suggests that the concentration of extreme wealth can have far-reaching consequences for economic outcomes. A central concern is its potential to slow economic growth and limit improvements in living standards through a range of mechanisms, including capital misallocation, market power, reduced innovation, weaker aggregate demand, credit constraints and barriers to entrepreneurship. While direct empirical estimates of the relationship between extreme wealth and economic growth remain limited, there is some UK-specific evidence on the channels through which these effects may operate. The rest of this subsection review these mechanisms in turn.

Market Power, Innovation and Entrepreneurship: One important channel through which extreme wealth may affect economic performance is through its effects on market structure and the implications this has for competition, innovation, and the allocation of finance. Although the UK maintains a well-developed competition and corporate governance framework, including an independent competition authority, merger control regime and established corporate governance standards (CMA, 2024; Financial Reporting Council, 2024), evidence suggests that these institutions only partially offset the economic harms associated with extreme wealth concentration.

While this has not been directly tested as being driven by extreme wealth and may partly reflect structural factors such as economies of scale and technological change, wealth concentration may contribute to them by facilitating the consolidation of ownership and control over productive assets. This can enable individuals with extreme wealth to maintain significant stakes across sectors, potentially reinforcing incumbent advantages and shaping corporate strategies (Fichtner, et al, 2017). Consistent with this, evidence from the CMA suggests that average mark-ups in Great Britain have risen by around 10% over the past 25 years, alongside declines in business dynamism and the ability of new entrants to displace incumbents, pointing to an environment in which competitive pressures are weakening (CMA, 2024).

Beyond ownership structures, extreme wealth concentration may also affect the allocation of credit and investment. While financial markets in the UK are highly developed, access to finance remains strongly conditioned by existing wealth and collateral, particularly housing assets, reflecting the asset-based nature of lending (Ryan Collins et al, 2017). This pattern is consistent with broader evidence which shows that wealth and liquidity constraints shape access to credit and entrepreneurial activity (Hurst and Lusardi, 2004; Aghion et al., 2009). Consequently, individuals and firms possessing substantial assets are often better positioned to secure finance while those without may face significant borrowing constraints. This imbalance can contribute to the concentration of investment among established firms and asset markets, limiting the scope for new entries and reinforcing incumbent advantages.

Another important channel through which extreme wealth may affect economic performance is through its relationship with market power and innovation. Evidence on this relationship is mixed and context dependent. International evidence from Aghion et al., (2005) suggests a non-linear relationship between competition and innovation, whereby some degree of market concentration may support investment and economies of scale, but the benefits are often offset by weaker

competitive pressures. UK specific evidence is generally more negative. The CMA (2024) report shows that mark-ups have increased by around 10% over the past 25 years while business dynamism has declined and incumbent firms have strengthened their market positions. Earlier studies provide limited support for the view that greater market power promotes innovation: For example, historical evidence from post-war Britain provides little support for a positive relationship between market power and innovation (Broadberry and Crafts, 2001), while Symeonidis (2000) finds that rising concentration did not translate into a significant increase in commercialised innovations. More recent firm-level evidence suggests that although concentration may improve allocative efficiency in some respects, it is also associated with lower firm-level productivity on average (Savagar et al., 2024). Taken together, these findings suggest that increasing concentration and market power are more commonly associated with weaker competitive pressures, lower business dynamism and weaker innovation performance than with sustained productivity gains. In this context, extreme wealth may reinforce these tendencies where it contributes to the concentration of ownership and control within markets.

Again, wealth-related differences in access to credit may also limit innovation and the development of new firms. International evidence suggests that liquidity and credit constraints can restrict entrepreneurial activity and reduce the ability of individuals from less wealthy backgrounds to pursue otherwise viable business opportunities (Aghion et al., 2009). Consistent with this, UK evidence indicates that individuals from lower-wealth backgrounds face greater barriers to securing finance for business creation and expansion (Bell et al., 2007). As a result, innovation and firm formation may be shaped not only by market conditions but also by the distribution of wealth and access to capital.

However, some evidence points to a more positive relationship between wealth inequality and growth, channelled through higher rates of entrepreneurial innovation. Using a heterogeneous-agent growth model calibrated to the UK economy, Yang, et al. (2020) argue that wealth inequality may promote growth by increasing entrepreneurial activity, as wealthier households are better able to absorb the costs and risks associated with innovation. However, the mechanism through which growth is generated relies on unequal wealth holdings facilitating entrepreneurial entry, creating a trade-off between growth and equality of opportunity.

Capital misallocation and rent extraction: Another central mechanism through which extreme wealth may affect economic performance and growth is the allocation of capital. The existing international literature suggests that wealth concentration may influence how capital is allocated. Although in principle, well-functioning markets direct resources towards productive uses a growing body of evidence suggests that extreme levels of wealth concentration can lead to the misallocation of capital towards non-productivity activities.

In the UK, this is reflected in the increasing concentration of investment and credit in housing and financial assets, rather than in activities that support innovation and long-term growth. Credit expansion and financial sector development have played a central role in channelling capital into real estate, contributing to rising house prices and asset values (Ryan-Collins, Lloyd and Macfarlane, 2017). As outlined in Section 2.2, these outcomes are also shaped by institutional arrangements

governing taxation, housing and land markets, which have combined to make property and land particularly attractive vehicles for wealth accumulation and investment.

The result of these institutional and financial arrangements is the growing importance of asset ownership in the accumulation of large fortunes. Consistent with the broader concept of the "asset economy", economic advantage increasingly derives from ownership of appreciating assets rather than solely from productive activity (Adkins, Cooper and Konings, 2020). International evidence on billionaire wealth portfolios suggests that the wealth of the super-rich is held predominantly through ownership of corporations and other financial assets (Bua et al., 2026). UK-specific evidence points in a similar direction: analysis of the Sunday Times Rich List by the Equality Trust (2025) finds that a growing share of UK billionaire wealth is derived from property, inheritance and financial markets. More broadly, housing and property ownership have become increasingly important sources of income and wealth accumulation in the UK, including through rental income and capital gains (Christophers, 2019; Toms and Lin, 2020; Byrne, 2020). Consequently, because extreme wealth is disproportionately held in financial and property assets, these developments may reinforce wealth concentration while directing investment towards non-productive rather than productive activity.

These dynamics have important macroeconomic consequences. While capital flows into asset markets generate capital gains for wealth holders, they contribute relatively little to productivity-enhancing investment. This divergence between wealth accumulation and productive activity is closely linked to the UK's long-standing productivity slowdown, characterised by persistently weak investment in skills, technology, and business capital (Haldane, 2015; 2018).

These processes are embedded within broader patterns of financialization, in which wealth accumulation increasingly depends on asset price dynamics rather than productive investment (Epstein, 2005; Greenwood and Scharfstein, 2013). In this context, financial markets play an active role in shaping economic outcomes through self-reinforcing dynamics: rising asset prices increase the value of existing wealth, which in turn fuels further demand for financial assets and drives prices higher. This contributes to balance sheet expansion and asset price inflation, with gains concentrated among those who already hold financial assets (Haldane, 2015; 2018). As a result, wealth accumulation becomes increasingly decoupled from underlying economic performance.

Aggregate demand: Extreme wealth concentration also affects economic growth through its impact on aggregate demand. Because wealthier households exhibit lower marginal propensities to consume, additional income accruing to wealthier segments of the population is more likely to be saved than spent (Stiglitz, 2012). As a result, increasing concentration of income and wealth can reduce the share of resources that is spent, weakening aggregate demand. A growing body of macroeconomic research suggests that rising inequality (examined in terms of income) can contribute to excess savings and weaker demand in advanced economies (Summers, 2014; Mian, Straub and Sufi, 2021). In the UK, evidence indicates that households with greater wealth tend to have higher saving rates and lower consumption shares, a pattern that may contribute to weaker demand growth (Broome et al., 2023).

3.2. Political harms

Beyond its economic consequences, a growing body of research highlights that extreme wealth may have important implications for democratic processes, institutional quality and the distribution of political power. As noted in the broader evidence review (Bucelli et al., 2026), while comparative research increasingly links wealth inequality and economic power to unequal political influence, representation and policy responsiveness, direct evidence on the effects of extreme wealth concentration remains limited. This is particularly true in the UK, where studies directly quantifying the effects of extreme wealth concentration on democratic outcomes are largely absent. Instead, the available literature focuses on a range of mechanisms through which wealth may influence political processes, including political finance, lobbying and access to decision-makers, political participation, media ownership and information power, and broader forms of policy bias. The UK nevertheless provides an instructive case, as extreme wealth concentration coexists with strong formal democratic institutions, illustrating how democratic processes may systematically favour economically advantaged groups even where democratic institutions remain strong.

Political finance and elite influence: As discussed in the broader review (Bucelli et al, 2026) political finance is a central channel through which extreme wealth may shape democratic outcomes, as financial contributions facilitate access to policymakers and expand opportunities for political engagement (Kalla and Broockman, 2016; Liu, 2022). In the United Kingdom, although political and governance institutions are often characterised as transparent and robust, political donations are highly concentrated among a relatively small group of wealthy individuals. Draca (2022) shows that "super-donors" (i.e. those contributing more than £100,000) account for a substantial share of party funding. More recent evidence suggests that this concentration has increased over time. The Autonomy Institute (2024) documents a growing reliance on large individual donors, while Transparency International UK (2026) reports that donations of £1 million or more increased from around 1 per cent of private political funding in 2015 to more than 35 per cent in recent years. Electoral Commission data similarly indicate that a substantial share of party funding is derived from a relatively small number of large donors (Electoral Commission, 2025; Electoral Commission, 2026). This concentration of political funding may enhance the ability of wealthy, and particularly extremely wealthy, individuals to gain access to policymakers, participate in political processes and influence agenda-setting relative to less wealthy groups.

Beyond access extreme wealth has the potential of shaping formal institutional outcomes. Radford et al. (2020) document a strong relationship between large political donations and nominations to the House of Lords, particularly among individuals outside traditional public service pathways. While those with conventional routes to appointment (e.g. as former parliamentarians or senior public officials) tend to make relatively modest contributions, a small group of "non-traditional" nominees accounts for the overwhelming majority of donations: although representing only around one-third of nominees, this group contributed nearly all (over 95 per cent) of the funds associated with appointments (Radford et al., 2020). While this evidence does not imply a direct transactional exchange, it indicates the capacity of those with extreme wealth to convert financial resources into political presence within formal decision-making structures. Moreover, unequal access itself

constitutes an important democratic concern because it can shape which interests are most effectively represented within policy discussions and agenda-setting processes.

Lobbying and access: The political significance of wealth concentration extends beyond campaign finance, affecting whose preferences and interests are most effectively represented within policy processes through differences in access, organisational capacity and sustained engagement with policymakers. Evidence reviewed in Section 2.4 suggests that the UK lobbying regime captures only a limited proportion of lobbying activity, while significant interactions occur outside formal disclosure requirements (Crepaz and Worthy, 2024; McKay and Wozniak, 2020). Ministerial meeting data further indicate that access to policymakers is unevenly distributed, with a relatively small number of organisations accounting for a disproportionate share of ministerial engagement (McKay and Wozniak, 2020).

Beyond these, extreme wealth may shape political outcomes through a broader set of channels including lobbying, think-tank funding, support for advocacy organisations and sustained engagement with policymakers (Stiglitz, 2012; Acemoglu and Robinson, 2012). Institutional features discussed in Section 2.4, including the limited scope of lobbying disclosure requirements, the role of externally funded All-Party Parliamentary Groups (APPGs), and weak restrictions on movement between public office and private interests, may create additional opportunities for economically powerful actors to gain access to decision-makers and policy processes. While these mechanisms do not necessarily imply direct influence over specific policy decisions (and have not been quantified), they may contribute to systematic differences in whose interests are represented within political debate and policymaking.

Taken together, the UK evidence base illustrates institutions operate both as a form of conversion enabling extreme wealth to generate political advantage (through the cumulative effects of unequal access, differential participation, agenda-setting capacity and the ability to sustain engagement with policymakers over time. Importantly, institutions are not merely the channels through which these effects operate; they may also act as a conversion factor of extreme wealth, enabling to have these consequential harms.

Policy bias and institutional outcomes: A growing body of evidence suggests that policy decisions in the UK tend to reflect the preferences of economic powerful groups more strongly than those of the broader population (Persson and Sundell, 2024; Lupu and Warner, 2022). This pattern is evident in areas such as taxation and financial regulation. For example, as discussed earlier, areas such as the taxation of capital gains and the design of inheritance tax reliefs reflect not only policy considerations but also broader political economy pressures associated with the interests of wealthier groups (Advani et al., 2020).

Also the evidence discussed above, suggests that policy outcomes may be shaped not only by formal democratic processes but also by differences in whose preferences, interests and perspectives are most effectively represented within policymaking. In this respect, policy bias need not arise through explicit capture or direct intervention by wealthy individuals in specific decisions. Rather, it may emerge gradually through institutional arrangements that create unequal

opportunities to participate in policymaking, shape political agendas and influence the information available to decisionmakers. In this sense, in the UK evidence can be seen as illustrating how extreme wealth may contribute to unequal political responsiveness, not necessarily through overt policy capture, but through the cumulative effects of differential access, representation and influence across political institutions.

In this sense, the UK evidence can be interpreted as showing how extreme wealth may contribute to unequal political responsiveness. Direct estimates of these effects are largely absent, in part because the relationship between extreme wealth and political outcomes operates through multiple interacting mechanisms, making it difficult to measure empirically. Instead, the evidence points to the cumulative effects of unequal access, representation and influence across political institutions rather than overt forms of policy capture.

Political participation: Another channel through which extreme wealth can affect democratic outcomes is political participation. Although direct evidence on the relationship between wealth and political participation both in the UK and internationally remains limited (Bucelli et al. 2026), evidence from income inequality literature shows that higher levels of inequality are associated with lower electoral participation (Schäfer and Schwander, 2019). UK-specific evidence from Ansell and Gingrich (2022) shows that political participation is closely associated with socioeconomic status, particularly home ownership. They find that homeowners are significantly more likely to vote than non-homeowners, with the turnout gap widening markedly from the 2000s and reaching substantial levels by the mid-2010s, reflecting a broader trend since the 1970s of increasing inequalities in electoral participation by income, education, age and housing tenure. These patterns point to a growing alignment between economic advantage and political participation, with more affluent individuals becoming increasingly overrepresented among the politically active over time. This, in turn, implies that political decisions are more likely to align with the preferences of already advantaged groups, reinforcing existing inequalities in political influence and policy outcomes.

These patterns are closely linked to the growing importance of housing wealth in shaping economic security in the UK. As asset ownership has become more central to individuals' economic position, political participation increasingly reflects these underlying economic divides. While this evidence does not isolate the effects of extreme wealth directly, it highlights an important mechanism: as wealth becomes more concentrated and political participation becomes more closely aligned with wealth, representation becomes increasingly uneven. In the UK context, this implies that the politically active population is disproportionately drawn from more affluent and asset-owning groups, thereby reinforcing their influence over political agendas and policy outcomes.

Media ownership and information power: Direct empirical evidence quantifying the relationship between extreme wealth and media capture remains limited (Bucelli et al., 2026). Nevertheless, a growing body of research suggests that the influence of extreme wealth may extend beyond formal political institutions into the control of information and public discourse, with media ownership concentration providing an indirect channel through which economic power can shape political debate, agenda-setting and electoral behaviour, thereby influencing the broader environment in

which political institutions operate and policy decisions are made (Corneo, 2006; Besley and Pratt, 2006).

The UK provides a particularly relevant context in which to examine these dynamics. As discussed in Section 2, public broadcasting and regulatory institutions provide important safeguards intended to promote media plurality and democratic accountability. Nevertheless, concerns regarding ownership concentration remain within parts of the media landscape, particularly national newspapers and segments of the commercial media sector (Noam, 2016). This raises questions about the extent to which regulatory safeguards can fully offset the informational and agenda-setting advantages associated with concentrated ownership and economic power.

Such concerns may be especially salient where extremely wealthy individuals operate across multiple domains simultaneously, including economic, political and informational spheres. Consistent with this view, recent UK evidence points to a broader concentration of influence across institutional domains. The Equality Trust's (2025) Concentration of Power Index, which incorporates indicators of media ownership, political donations and elite appointments, identifies a strong association between the share of wealth held by the top 1 per cent and wider patterns of concentrated influence. While this evidence does not establish a direct causal relationship, it is consistent with concerns that economic concentration may be accompanied by the concentration of influence across multiple areas of public life.

3.3. Environmental Harms

The broader evidence review highlighted how the environmental consequences of extreme wealth extend beyond differences in individual consumption and are embedded within broader patterns of asset ownership, investment and land use (Bucelli, 2026). As discussed in evidence review Bucelli (2026) recent research has increasingly distinguished between consumption-based and investment-based emissions, arguing that, at the top of the distribution, environmental impacts are driven as much by ownership of carbon-intensive assets as by personal consumption. For the wealthiest groups, investment-related emissions may account for a substantial share of their overall climate footprint (Chancel and Mohren, 2025; World Inequality Report, 2026).

This has important implications for environmental justice and sustainability because responsibility for generating environmental pressures and exposure to their consequences are distributed unevenly across society, despite environmental degradation and climate change affecting the broader population.

The UK evidence provides a clear example of these inequalities. Studies consistently find that greenhouse gas emissions are strongly associated with income, reflecting differences in housing consumption, transport use and wider patterns of expenditure. For example, research for the Joseph Rowntree Foundation and the Centre for Sustainable Energy finds that household carbon emissions in Great Britain are highly correlated with income, with the richest 10 per cent of households emitting around three times as much carbon from domestic energy use and personal travel as the poorest 10 per cent (Hargreaves et al., 2013; Preston et al., 2013). At the same time, studies show that although

lower-income households contribute substantially less to emissions they are often more vulnerable to climate-related risks and the costs associated with environmental transition policies (Preston et al., 2013; Gough et al., 2011).

The relationship between environmental impact and economic advantage becomes even more pronounced at the top of the distribution. Although most UK studies focus on income rather than wealth (as do most international studies), recent research suggests that emissions concentration is more strongly associated with wealth inequality than income inequality, particularly at the upper tail of the distribution where ownership of assets and investment decisions become increasingly important drivers of environmental impact (Apeti et al., 2025; Büchs et al., 2024). In the UK, Oxfam estimates that the wealthiest 1 per cent of people generate carbon emissions approximately eleven times greater than those of individuals in the poorest half of the population, reflecting both higher levels of consumption and emissions linked to the ownership of financial and real assets (Oxfam, 2020). This concentration becomes even more pronounced among the ultra-wealthy: Oxfam estimates that the richest 0.1 per cent emit around 56 times more carbon than those on the lowest incomes, with a substantial share of these emissions linked to investments and other forms of asset ownership (Oxfam, 2025). These findings suggest that the environmental consequences of extreme wealth extend beyond individual consumption and are embedded in broader patterns of asset ownership and capital allocation (Gough et al., 2011; Oxfam, 2025). UK evidence further suggests that very wealthy individuals may be subject to forms of behavioural "lock-in" that sustain high-carbon lifestyles despite growing environmental awareness. Moorcroft et al. (2025) find that high levels of wealth are associated with consumption patterns that are less responsive to prices, particularly in relation to aviation and international mobility, helping to sustain disproportionately large carbon footprints. These disparities raise important questions regarding environmental responsibility and environmental justice, as the benefits and costs associated with environmentally damaging activities and the environmental transition are not distributed evenly. One important example concerns access to low-carbon technologies. Many of the benefits associated with environmental transition depend on access to capital-intensive technologies, such as electric vehicles and heat pumps. As a result, households with greater wealth, asset ownership and access to finance are often better positioned to take advantage of environmental transition policies, creating a risk that decarbonisation may reinforce existing inequalities in wealth and opportunity unless measures are taken to broaden access to these technologies (Moorcroft et al., 2025).

Environmental inequalities and harms may arise not only through differences in emissions and resource ownership but also through the ways in which extreme wealth interacts with environmental governance. As discussed in Section 2.5, environmental policymaking involves ongoing engagement among governments, businesses, investors, landowners and civil-society organisations, creating opportunities for actors with substantial economic interests to participate in debates over regulatory priorities, implementation and the distribution of environmental costs and benefits.

As in the case of political harms, the evidence is generally stronger in demonstrating inequalities in access to environmental policymaking processes and participation in policy debates than in establishing direct links between extreme wealth and specific environmental policy outcomes.

Nevertheless, as highlighted in the international evidence review by Bucelli (2026), a growing international literature suggests that economic inequality and concentrated wealth may shape environmental outcomes through their effects on environmental governance, regulatory capacity, political influence and support for environmental protection (Green and Healy, 2022; Apeti et al., 2025; Elie et al., 2025). Consistent with this, UK research on climate governance suggests that actors possessing substantial organisational, financial and technical resources may derive influence through their ability to provide expertise, policy information and investment capacity valued by governments (Carter and Jacobs, 2014; Lockwood, 2013). UK research on environmental and innovation policy similarly highlights the role of discourse and policy framing in shaping environmental priorities and policy responses (Kern and Rogge, 2023). The broader international literature points to similar mechanisms. Recent work on environmental policy capture distinguishes between material forms of influence, such as lobbying and financial resources and cognitive forms of influence, whereby actors shape policy narratives, agenda-setting and the range of policy responses considered feasible or desirable (Aklin et al., 2025). However, direct evidence linking these processes to extreme wealth remains limited.

The transition towards net zero and the growing importance of natural capital introduce additional distributional considerations and create new areas of environmental governance in which questions of extreme wealth and resource allocation become increasingly important. Policies promoting biodiversity enhancement, environmental restoration and carbon reduction create new forms of environmental value and investment opportunities linked to land, ecosystems and environmental assets. While these developments have the potential to generate significant environmental benefits, they may also reinforce existing concentrations of wealth, as gains associated with environmental assets and natural capital are likely to accrue disproportionately to those who already own substantial land and environmental resources. Consequently, the benefits associated with environmental transition may not be distributed evenly unless accompanied by measures that address underlying inequalities in asset ownership. Because the allocation of these benefits is shaped by policy and regulatory decisions, environmental governance also plays an important role in determining whether environmental transition mitigates or reproduces existing economic inequalities.

Taken together, the evidence suggests that extreme wealth's contribution to environmental harms occurs through multiple channels, including unequal contributions to emissions, ownership and investment patterns, differential exposure to the costs and benefits of environmental transition, and unequal capacity to participate in environmental governance processes. However, the evidence remains considerably stronger in demonstrating environmental inequalities and differences in access, participation and agenda-setting than in establishing direct links between extreme wealth and particular environmental policy outcomes.

3.4. Social Harms

Extreme wealth concentration may also be linked with a range of social harms, including poverty, reduced social mobility and weaker social cohesion. While much of the literature has focused on income inequality, there is increasing recognition that many of the social harms associated with inequality are more closely linked to wealth inequality, particularly at the extreme upper tail of the distribution, where high levels of concentration give rise to structural mechanisms that shape markets, institutions, and access to resources, leading to broader effects on opportunity, wellbeing, and social cohesion. In the UK, these mechanisms are particularly evident in housing markets, intergenerational transfers, and spatial inequalities, which influence asset prices, institutional arrangements, and access to key economic resources. The remainder of this section examines these dynamics in the UK across two interrelated domains: poverty and living standards; and intergenerational mobility and the persistence of extreme wealth.

Poverty and living standards: Overall, there is limited direct evidence linking extreme wealth to poverty both in the UK and internationally. Yet existing research identifies several mechanisms through which wealth shapes living standards and poverty outcomes. In the UK, households with little or no wealth are significantly more exposed to economic shocks and rising costs of living, increasing their risk of poverty and limiting their ability to absorb or recover from adverse events, consistent with broader evidence that asset ownership plays a key role in shaping financial security and resilience (Resolution Foundation, 2019; Clark, 2023). This vulnerability is closely connected to broader patterns of wealth concentration, as the accumulation of capital at the top influences the structure of key markets, including housing markets and more indirectly labour and credit markets, thereby shaping the economic conditions faced by lower-wealth households.

As discussed in the economic harms section, evidence supports that extreme wealth concentration also shapes patterns of capital allocation, with a disproportionate share of investment directed toward housing and financial assets rather than productive activity. This, in turn, contributes to rising asset prices while limiting broader-based income growth and employment opportunities, exacerbating affordability pressures for poorer households. Unequal access to finance further reinforces these dynamics by constraining opportunities for individuals without wealth, limiting entrepreneurship and income mobility, and contributing to persistently low living standards among lower-wealth households, particularly where financial exclusion restricts access to savings and affordable credit (Searle and Köppe, 2014).

These dynamics are particularly evident in the housing market, which plays a central role in the accumulation and intergenerational transmission of wealth in the UK. The expansion of mortgage credit and the increasing financialisation of housing have increased both the scale of investment in property and the opportunities to derive income from rents and capital gains rather than productive activity, a trend increasingly described as the "rentierisation" of the UK economy (Christophers, 2019; Ryan-Collins, Lloyd and Macfarlane, 2017). As housing and land have become increasingly important stores of wealth, wealthy individuals and institutional investors have expanded their presence within property markets. Together with the expansion of mortgage credit and structural constraints on housing supply, these developments have contributed to rising house prices and property values (Ryan-Collins, Lloyd and Macfarlane, 2017; Hilber and Vermeulen, 2016). The growth

of landlord and investor ownership has further reinforced these trends, increasing the role of rental income and capital gains in wealth accumulation (Toms and Lin, 2020). More broadly, asset-based accumulation can transfer resources from those without assets to those who own and control them, contributing to rising housing costs and barriers to access for lower-wealth households (Angelopoulos et al., 2021; Byrne, 2020).

Taken together, these dynamics contribute to rising rents, high house prices and barriers to homeownership that disproportionately affect lower-wealth households contributing to poverty and material deprivation, a pattern reflected in the substantially higher rates of poverty and deprivation experienced by renters than owner-occupiers in the UK (Joseph Rowntree Foundation, 2023; Ray-Chaudhuri et al., 2023; Cribb et al., 2023). Qualitative evidence further highlights the lived experience of these dynamics, with renters, particularly those on low incomes, reporting insecurity, reduced wellbeing and persistent pressures associated with housing costs and conditions (McKee et al., 2019).

Intergenerational mobility, opportunity, and wealth persistence:

Available evidence suggests that inequality, and particularly high levels of wealth concentration, affects intergenerational mobility and the distribution of opportunities. While much of the existing literature focuses on wealth inequality more broadly rather than extreme wealth specifically, it highlights a set of mechanisms that are directly relevant to understanding how large fortunes are accumulated, preserved and transmitted across generations. Recent work has increasingly emphasised the importance of wealth concentration and wealth persistence in shaping intergenerational outcomes.

These patterns appear especially pronounced in the UK. Blanden et al. (2005) found relatively low levels of intergenerational mobility and showed that mobility declined between the 1958 and 1970 birth cohorts, with economic outcomes remaining strongly correlated across generations. More recent evidence suggests that there has been little subsequent improvement, with mobility among those born in the late 1980s remaining broadly similar to that observed for the 1970 cohort, while parental income, wealth and educational inequalities continue to play an important role in shaping persistent intergenerational advantage and disadvantage in the UK (van der Erve et al., 2024).

At the core of these patterns is inheritance, which has grown in importance over time (Atkinson, 2018; Karagiannaki, 2015) and increasingly shapes lifetime resources and opportunities. In the context of extreme wealth, inheritance is particularly important because it constitutes one of the principal mechanisms through which large fortunes are preserved and transmitted across generations. Recent projections suggest that inherited wealth will become substantially more important for younger generations: while inheritances are projected to be worth around 9 per cent of lifetime income for those born in the 1960s, this rises to 16 per cent for those born in the 1980s (Bourquin et al., 2021). Consistent with this, van der Erve et al. (2024) show that inheritances are projected to have a larger effect on mobility for younger cohorts than for older ones, indicating that inherited wealth is playing an increasingly important role in sustaining the persistence of wealth and economic advantage across generations. For those born in the 1960s, inheritances increase the

rank-rank persistence measure from 0.39 to 0.46 (a 19 per cent increase), compared with an increase from 0.39 to 0.49 (a 26 per cent increase) among those born in the 1980s. These findings suggest that inherited wealth is likely to play an increasingly important role in shaping intergenerational mobility and the persistence of economic advantage over time.

These dynamics may be further reinforced by unequal access to investment opportunities. International evidence suggests that wealthier households achieve systematically higher returns on their assets, enabling wealth to compound more rapidly over time and reinforcing the persistence of wealth concentration both within and across generations (Fagereng et al., 2020).

Although not specific to the very wealthiest households, Gregg and Kanabar (2022) find evidence of rising intergenerational wealth persistence in Great Britain, linked primarily to housing wealth as homeownership and housing assets have become increasingly associated with parental wealth. While this mechanism operates across the wealth distribution, its implications are likely to be particularly significant for households holding substantial concentrations of wealth.

Evidence for those at the very top of the wealth distribution presents a more nuanced picture. Drawing on evidence from the *Sunday Times Rich List*, van der Erve et al. (2024), citing Watts (2018), note that the share of individuals classified as "self-made" increased from 43 per cent when the Rich List was first published in 1989 to 94 per cent in recent editions. However, the authors caution against interpreting this as evidence of greater equality of opportunity. Family background may continue to shape access to education, housing wealth, social networks, business opportunities and capital, allowing economic advantage to persist across generations even where large fortunes are not inherited directly. Consistent with this, evidence from the United States suggests that even individuals classified as "self-made" billionaires disproportionately originate from highly advantaged socioeconomic backgrounds. This suggests that the transmission of advantage extends well beyond direct inheritance and that the rise of self-made wealth does not necessarily imply greater social mobility but may instead reflect the continued reproduction of advantage within already privileged groups (Stubenbord, 2026). Historical evidence also suggests that wealth concentration in the UK is highly persistent across generations. Cummins (2021) finds strong intergenerational correlations in wealth and social status among elites, indicating that extreme wealth is not only concentrated but also remarkably persistent over time.

Taken together, the evidence suggests that wealth in the UK is characterised not only by high concentration but also by strong mechanisms of persistence. Whether through direct inheritance, unequal access to investment opportunities, or the transmission of social and economic advantages across generations, large fortunes appear to benefit from a range of processes that facilitate their preservation and reproduction over time. These dynamics not only limit intergenerational mobility but also contribute to wider social harms by reinforcing unequal opportunities and sustaining patterns of advantage and disadvantage across generations.

4. Conclusion

This paper has discussed how the economic, political, environmental and social challenges commonly attributed to inequality in the United Kingdom can be better understood through the lens of extreme wealth concentration. While conventional measures of inequality capture important distributional patterns, they do not fully reflect the ways in which extreme wealth concentration shapes economic, political, environmental and social outcomes.

The institutional and structural features of the UK system have several implications in this process. First, they directly affect the rate at which wealth accumulates at the top, by allowing returns to be retained and compounded with limited fiscal friction. Second, they shape portfolio behaviour, encouraging investment in asset categories, such as property, financial instruments, and closely held businesses that offer tax advantages. Third, they reinforce intergenerational persistence of wealth. For example, the UK tax system plays only a limited redistributive role with respect to extreme wealth and, in some respects, may reinforce the conditions that allow wealth concentration to persist and expand over time (Advani, Hughson and Tarrant, 2021). This reflects the way in which the design of wealth-related taxes has evolved in response to both administrative constraints and political considerations, including sensitivity to the perceived mobility of extreme wealth and concerns about tax competition (Advani, Summers and Tarrant (2020), factors that may themselves be shaped by the influence of wealth holders, raising the possibility of endogenous policy responses to wealth concentration (Stiglitz, 2012; Acemoglu and Robinson, 2012). Housing, land and financial markets institutions together with political and environmental governance arrangements, also shape how extreme wealth is accumulated, preserved and translated into economic and political advantage. In this way, institutions do not simply respond to wealth concentration. Rather they act as conversion mechanisms through which extreme wealth is translated into economic and political advantage, reproduced over time, and associated harms are generated.

Thus the UK case illustrates that extreme wealth is not simply a by-product of economic activity, but a structural feature of the system itself, embedded in and reinforced by institutional arrangements. The accumulation of wealth at the very top of the distribution particularly at its extreme upper tail is closely tied to the organisation of asset markets, the design of the tax system, and the evolution of financial and corporate structures.

As discussed in the paper, extreme wealth shapes the allocation of capital, the functioning of markets, and the direction of economic development. Investment flows are influenced by the preferences and portfolios of large wealth holders, contributing to a pattern in which capital is disproportionately directed towards asset (housing and financial assets in particular in the UK) rather than productive activity. This, in turn, affects productivity growth, innovation, and the overall structure of the economy. At the same time, the concentration of savings at the top contributes to macroeconomic imbalances, reinforcing a growth model reliant on asset price inflation and household debt.

The influence of extreme wealth extends beyond the economic to political harms. In the UK, this influence does not typically manifest through overt institutional breakdown, but through more subtle forms of access, engagement, and alignment of interests. Political finance, elite appointments, and broader channels of influence create a system in which those with substantial economic resources

are better positioned to shape policy agendas and institutional outcomes. These processes operate within a formally democratic framework, yet they generate asymmetries in representation and responsiveness that are closely tied to the concentration of wealth.

The social harms of extreme wealth are equally evident. The evidence and discussion presented here suggests that many of the most salient social outcomes, including poverty, limited social mobility, and weakening social cohesion, are not simply correlated with inequality, but are linked to the ways in which extreme wealth shapes access to resources and opportunities. Housing markets provide a clear example: the concentration of capital in property has contributed to rising costs, limiting access for lower-wealth households and reinforcing both intergenerational and spatial inequalities. Similarly, the transmission of large fortunes across generations contributes to the persistence of advantage, narrowing the scope for upward mobility and reinforcing patterns of social stratification.

Taken together, these findings point to a common underlying mechanism. Extreme wealth operates not only through its unequal distribution, but also through its capacity to shape economic institutions, political processes and social opportunities. Its effects are cumulative and self-reinforcing: extreme wealth can shape the institutions and markets within which it operates, and these in turn can influence how wealth is accumulated, preserved and exercised.

This perspective has important implications for both analysis and policy. Analytically, it suggests that a sole focus on inequality may obscure the dynamics that matter most, particularly where the most significant effects arise from the behaviour and influence of actors at the very top of the distribution. It also highlights the importance of integrating economic and political economy perspectives, given the extent to which wealth concentration and institutional outcomes are intertwined.

From a policy perspective, the findings imply that addressing the challenges associated with inequality requires more than redistribution. It requires engagement with the structures through which extreme wealth is created, accumulated and exercised. This includes the design of tax systems, the functioning of housing, financial and land markets, environmental policy and the regulation of political finance and institutional access. Because these domains are interconnected, reforms are likely to be most effective when considered as part of a broader institutional approach rather than in isolation. More broadly, the UK example demonstrates that extreme wealth does not need to undermine formal institutions in order to have significant consequences. Rather, its effects can be gradual and embedded within existing institutions, shaping outcomes over time in ways that are often subtle but significant. In this sense, the challenge posed by extreme wealth is not one of institutional breakdown but of institutional adaptation to concentrated economic power. A central conclusion is therefore that understanding and addressing the most significant economic, democratic, and social challenges in the United Kingdom requires moving beyond aggregate measures of inequality and focusing directly on the concentration, persistence, and influence of extreme wealth.

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