



Inequality from the top down

BILLIONAIRE

BRITAIN 2022

THE EQUALITY TRUST

Inequality From The Top Down: The UK Billionaire Class Over The Last 30 Years

Executive Summary

BILLIONAIRE WEALTH

1990: **£53.9 billion**

2022: **£653.1 billion**

Since 1990, an over

1000%
increase in
billionaire wealth

NO. OF BILLIONAIRES

1990: **15**

2022: **177**

- Over the past three years, the UK has faced a number of crises which have called into question the political and economic structures under which the country operates. In turn, these crises have exposed and exacerbated a third, longer running crisis of economic inequality. With the disparity between how the wealthiest and the rest of the UK's population are living, these crises have become abundantly clear.
- In order to examine the UK's present situation, this briefing looks at the very wealthiest members of British society, billionaires, and interrogates the economic structures which have enabled this small group of people to accumulate massive wealth while also producing huge levels of poverty and inequality in the UK.
- Since 1990, overall wealth controlled by billionaires has risen from £53.9bn to over £653.1bn (controlling for inflation.) This represents an increase in billionaire wealth of over 1000% over the past 32 years. The number of billionaires in the UK has risen from 15 in 1990 to 177 in 2022.
- This explosion in billionaire wealth over the last three decades tracks onto a broader trend of increasing wealth inequality in the UK over the same period. Importantly, this concentration of wealth is most extreme at the very top of the distribution, with those at the very top increasing their share of total wealth more than any other group.
- While at first glance the UK's billionaires draw their wealth from highly diverse sources, two underlying structural changes have enabled massive accumulation by those at the top:
 - Firstly, the financialisation of the UK and global economy has enabled those with wealth to secure ever greater returns on that wealth while also inflating asset prices and shifting the balance of power in corporations to favour profits over wages.
 - Secondly, and relatedly, the UK has become a major destination for extreme wealth, a role facilitated by the deregulation of the financial sector, lax transparency laws and the UK's colonial history.
- In order to dismantle these structures and bring about a more equitable and fairer society, the UK should:

1 Institute a progressive wealth tax aimed at a more even distribution of wealth.

4 Democratise corporations by ending shareholder primacy, facilitating employee ownership and rolling out sectoral collective bargaining.

2 Reform the financial sector to promote longer term and responsible corporate investment and to end speculative and unstable financial activities.

5 Return essential services to public ownership to ensure that basic necessities are provided at reasonable prices.

3 End the UK's role in tax avoidance and increase transparency.

6 Adopt a community wealth-building approach to address regional inequalities.

Introduction

Over the past three years, the UK has faced a series of crises which have called into question the social, political and economic structures under which the country operates. As The Equality Trust and many others have argued, both the COVID-19 pandemic and the cost of living scandal have been hugely exacerbated by the UK's staggering level of economic inequality and have in turn compounded existing inequalities of income, wealth, race, gender, age, education and geography.

A running theme of these crises has been the apparent disconnect between the experiences of the vast majority of the UK's population and those at the very top. For example, research from the Resolution Foundation showed that the wealthiest 10% of UK residents received a windfall of over £50,000 over COVID-19 as a result of a lack of spending opportunities and rising house prices.¹ Meanwhile, as the UK economy falls into recession, City of London bars have reported a 'run on champagne'² as a result of booming bonuses in the financial sector. Average pay among top FTSE 100 CEOs has soared, reaching £3.41m.³ And, of course, while the average energy bills are forecast to hit over £3,700 per year in April 2023,⁴ energy companies have posted record profits.⁵

“However, while COVID-19 saw billionaire wealth rise to levels never seen before, the construction of the economic infrastructure that has enabled this mass accumulation stretches back over the last four decades.”

Even amidst some of the wealthier echelons of society, however, experiences are polarising. In May 2022, the Sunday Times reported that the number of UK billionaires had increased to 177,⁶ an increase of just over 20% from 2020. This sudden explosion in extreme wealth was in large part due to measures aimed at lessening the impact of COVID-19 on the economy, as central banks pumped trillions of dollars into financial markets, leading to a stock market boom which effectively lined the pockets of shareholders. However, while COVID-19 saw billionaire wealth rise to levels never seen before, the construction of the economic infrastructure that has enabled this mass accumulation stretches back over the last four decades.

This briefing aims to illuminate our current situation through an examination of the economic structures that have enabled the richest members of our society to both expand and accumulate such staggering wealth. By linking the ascendancy of the UK's billionaire class to existing work on the economic structures which underlie the UK's rampant inequality, this briefing hopes to clarify how we arrived at the current moment.

It also aims to provide an antidote to the dominant narrative around the UK's billionaire class: billionaires are not uniquely hard working, or intelligent, or creative. Instead, billionaires are better seen as the primary beneficiaries of an economic system which produces huge levels of poverty and inequality, and has left the UK particularly vulnerable to the multiple, overlapping crises we have faced over the past few years.

How Do We Measure Billionaire Wealth?

The true wealth of the super-rich is infamously difficult to measure. In part this is due to the lack of a wealth tax in the UK, which means that there is a lack of high quality administrative data on the value of assets held by individual households. Meanwhile, survey data such as the Wealth and Assets Survey suffers from issues of underreporting and high non-response rates for the wealthiest households.⁷

Without strong administrative data, a number of alternative methods for estimating the share of wealth

1 Jack Leslie and Krishan Shah, "(Wealth) Gap Year: The Impact of the coronavirus crisis on UK household wealth" Resolution Foundation (2021) <https://www.resolutionfoundation.org/publications/wealth-gap-year/>

2 Rupert Neate, "'We've had a run on champagne': Biggest UK banker bonuses since financial crash" The Guardian, February 2022 <https://www.theguardian.com/business/2022/feb/16/weve-had-a-run-on-champagne-biggest-uk-banker-bonuses-since-financial-crash>

3 High Pay Centre, "CEO pay survey 2022: CEO pay surges 39%" CEO pay survey 2022: CEO pay surges 39% • High Pay Centre [accessed 25th Nov 2022]

4 Cornwall Insight, "Cornwall Insight predicts a fall in the April 2023 Price Cap but prices remain significantly above the Energy Price Guarantee" Cornwall Insight forecasts a fall in the April 2023 Price Cap but prices remain significantly above the Energy Price Guarantee - Cornwall Insight (cornwall-insight.com) [accessed 25th Nov 2022]

5 Katie Grant "Why are energy companies making so much money? What's driving the record profits as prices for consumers soar" The Independent, August 2022, <https://inews.co.uk/news/consumer/energy-companies-why-making-so-much-money-record-profits-prices-explained-1774927>

6 Rachel Russell, "Sunday Times Rich List 2022: Sunaks join wealthy elite as UK billionaires swell to record level" Sky News, August 2022, <https://news.sky.com/story/sunday-times-rich-list-2022-uk-has-a-record-number-of-billionaires-12617181>

7 Arun Advani and Andy Summers, "Measuring and taxing top incomes and wealth" Warwick Economics Research Papers (2022), p8

taken up by those at the top have been devised. One method involves the usage of outside data or ‘rich lists’, the most well-established of which is the Sunday Times Rich List, which has been published continuously since 1989.

It should be noted that the Sunday Times Rich List does have a number of methodological weaknesses. For example, it is based largely on publicly available data on business wealth, and therefore will miss other types of assets (as well as private debts), potentially underestimating the true wealth of its subjects. It also does not provide an insight into its subject’s tax arrangements. Notwithstanding, in the absence of better data, the Sunday Times Rich List still provides the best guess at the true level of billionaire wealth in the UK. This briefing uses archive copies of the Sunday Times Rich List to provide estimates of billionaire wealth in the UK from 1990 to 2022, using data at 5 year intervals until 2020. To control for inflation, all figures are given in 2021 pounds.

The growth of the UK billionaire class 1990-2022

As shown in table 1, when we control for inflation, the UK had a total of 15 billionaires in 1990, who collectively controlled wealth and assets of around £53.9bn in 2021 £s. The median billionaire controlled wealth of around £2.7bn. By 2022 this had risen to 177 billionaires controlling £653.1bn, with the median billionaire holding wealth of around £2bn.

Table 1

| Year | Total Wealth of Households worth >£1bn (2021 £s) | Median billionaire (in 2021 £s) | Number of £2021 Billionaires |
|------|--|---------------------------------|------------------------------|
| 1990 | £53,874,036,000 | £2,694,600,000 | 15 |
| 1995 | £25,144,486,000 | £1,411,212,500 | 11 |
| 2000 | £71,788,778,000 | £1,918,378,125 | 32 |
| 2005 | £165,080,335,680 | £1,713,696,000 | 64 |
| 2010 | £205,111,569,440 | £1,730,823,000 | 75 |
| 2015 | £362,683,630,000 | £1,673,250,000 | 117 |
| 2020 | £503,378,798,400 | £2,051,760,000 | 147 |
| 2022 | £653,120,000,000 | £2,000,000,000 | 177 |

This means that, in the 32-year period from 1990 to 2022, the amount of wealth controlled by billionaires increased by 1112.31%, or around 12 times. Though the worth of the average (median) billionaire has actually decreased by around £700m, the number of total billionaires has broadly increased in line with the total amount of wealth controlled by billionaires (by around 1080%).

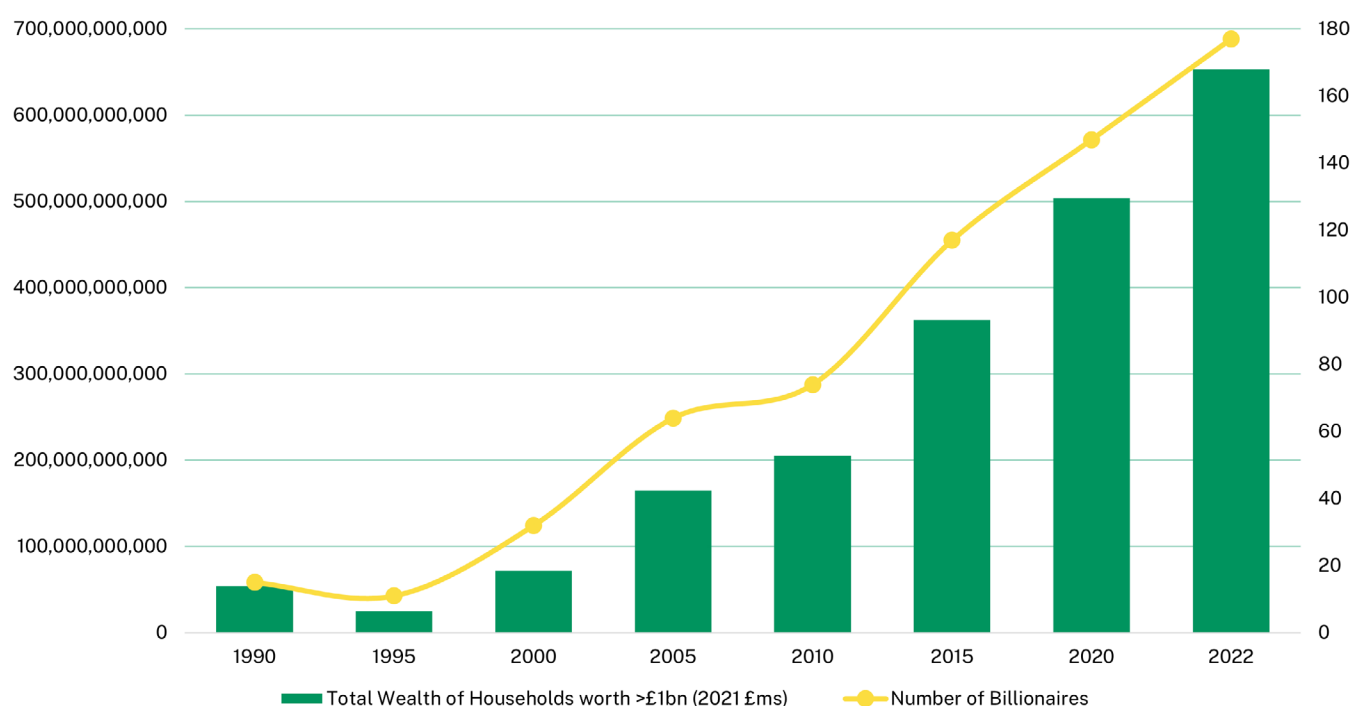


Fig 1: Growth in Billionaire Wealth and Number of Billionaires 1990-2022

As shown in Fig 1, it appears that the vast majority of the growth of the billionaire class has come from the addition of new billionaires, when adjusting for inflation, rather than the growth of previously existing billionaire wealth. That said, the period covered has also seen the emergence of a top layer of billionaires controlling wealth far outstripping that of even the very richest households from the 1990s: in fact, the top two households from the 2022 rich list control around the same wealth as all the billionaires from the 1990 list combined.

“The top two households from the 2022 rich list control around the same wealth as all the billionaires from the 1990 list combined.”

Should We Be Concerned About Rising Billionaire Wealth?

For some, the rise in billionaire wealth in the UK over the last 30 years is cause for celebration. In fact, there exists an entire cottage industry, the Sunday Times Rich List included, devoted to lauding billionaires for their hard work, intelligence, and creativity and to thank them for enlarging the economic pie for the rest of us. What this viewpoint fails to recognise is that the explosion in the number of billionaires over the past few decades and accelerating inequality and growing poverty are, in fact, two sides of the same coin.

Since the 1980s, wealth inequality in the UK and many other developed nations has risen considerably, reversing a general trend towards greater equality which had existed since the early 1900s. Despite some fluctuations, over this time the top 10% of wealthiest households have consistently increased their share of the UK's total wealth, from a low point of 51.4% in 1990 to 57.1% in 2021, according to the World Inequality Report.⁸ Importantly, this concentration of wealth becomes even more pronounced towards the top of the distribution: as shown by as Alvarado *et al*, the top 1% saw comparatively larger raises in their wealth than the rest of the top 10%, and even the top half of the top 1% saw larger increases than the bottom half of the top 1%.⁹ The bottom 50% of the distribution, on the other hand, own a mere 4.6% of the UK's total wealth.

SHARES OF UK WEALTH IN 2021

57.1% owned by the top 10%

4.6% owned by the bottom 50%

Polarising wealth, whether within the wealthiest 10% or between those with wealth and without, affects us all. More unequal societies, as The Spirit Level decisively demonstrated, experience poorer social, economic and health outcomes than more equal ones.¹⁰ While those at the top may be buffered against external economic shocks through their accumulated wealth, this comes at the detriment of wider societal outcomes. Why then, do we maintain the economic structures that enable this?

Financialisation and the Creation of the Billionaire's Economy

So how can we explain this ever greater concentration of wealth among those who already have the most? Returning to the Sunday Times Rich List, one indication of how the billionaire economy functions to make money flow uphill is by looking at how the sources of billionaire wealth have changed over the past 30 years.

Returning to the 1990 version of the Sunday Times Rich List, the sources from which the UK's billionaires drew their wealth seem relatively conventional: members of the aristocracy sit next to shipping and oil tycoons, while others, such as the Moores Family, earned their money primarily from their ownership of Littlewoods football pools. Comparing this with the 2022 rich list, it becomes clear that, although a few names remain the same, 2022's billionaires sit at the apex of a very different economy from their 1990s counterparts.

Two sectors in particular stand as exemplars of this change. Of the 177 billionaires on the 2022 list, 44 draw the majority of their wealth from finance and investing activities, while a further 39 draw a majority of their wealth from real estate. Both of these sectors are integral to a broader process which economists have understood under the rubric of *financialisation*. (see Text Box 1).

⁸ Lucas Chancel, Thomas Piketty, Emmanuel Saez, Gabriel Zucman, et al. *World Inequality Report 2022*, World Inequality Lab

⁹ Facundo Alvarado, Anthony B Atkinson and Salvatore Morelli "Top Wealth Shares in the UK Over More than a Century" University Ca' Foscari of Venice, Dept. of Economics Research Paper Series No. 01/WP/2017,(2017) pp.20-22. pp.20-22

¹⁰ Richard Wilkinson and Kate Pickett, "The Spirit Level", London: Allen Lane, 2009

Text Box 1:

What is Financialisation?

Financialisation is a wide ranging concept with a range of competing definitions, but the most widely accepted definition is that financialisation refers to ‘the increasing role of financial motives, financial actors and financial institutions in the operation of domestic and international economies.’¹¹ More specifically, the term refers to shifts in how the economy works in three different areas:

- 1) The increasing size and importance of the financial sector itself. In the UK, this explosion in the size of the financial sector is heavily associated with the deregulation of the City of London, which allowed new avenues for profit making in the finance industry and precipitated the UK’s shift to a finance-led, service-based economy.
- 2) Shifts in the real economy as companies shift their focus from productive activities towards seeking returns through financial trading, as well as an increasing focus on ideas of ‘shareholder value’ and management decisions being increasingly shaped by financial incentives.
- 3) The increasing use of financial instruments in the household, leading to greater indebtedness, with households increasingly encouraged to use interest bearing debts to cover expenses such as housing, education and health.

The financialisation of the UK economy began with a number of interventions made by the UK government in the 1970s and 80s which sought to dismantle the strict regulations placed on the financial sector following the Second World War.

These shifts not only facilitated the huge growth of the financial sector itself, but also opened up a range of new ways for those with wealth to invest it. This ranged from trading on the stock market to investing in the burgeoning hedge fund sector and offering newly deregulated credit for both financial speculation and household consumption, among others. This process of financialisation has had three particularly important effects which, taken together, have served as the foundations of the billionaire’s economy.

- 1. Concentration of wealth:** By opening up new avenues for those with wealth to invest it, financialisation enabled those with the most to secure greater profits from their existing wealth. Crucially, not only is wealth not equally held in the UK, the types of wealth which generate large amounts of income (e.g. financial wealth such as stocks and shares) are held even more unequally. In addition, the wealthy also often have ways of investing that are not open to those with less wealth (e.g. the highly speculative financial strategies pursued by hedge funds.) As a result, those with the greatest wealth have also seen the greatest *returns* of wealth.
- 2. Asset price inflation:** The boom in credit creation which followed financial deregulation also led to huge increases in the prices of assets, as more and more money chased the same amount of assets. Nowhere is this trend clearer than in the housing market, where an explosion in credit combined with emerging social norms around home ownership and a policy environment which incentivised home ownership - even as the level of total housing stock has remained relatively stationary. As a result, house prices have risen consistently even when the economy as a whole has contracted, putting home ownership out of reach for many and further entrenching the wealth divide.
- 3. Profits over wages:** Greater financialisation has also affected how companies distribute rewards, tipping the balance decisively from wages (which go to workers) to profits (which go to shareholders). This is because financial firms and investors have extracted more and more value from companies via dividends and share buybacks, diverting money away from workers and productive investments which could be used to pass savings on to consumers. Companies, in effect, become an engine of upwards redistribution of wealth.

This trend is present throughout the economy, but has attracted particular attention recently in the context of the energy sector. Research from Common Wealth has shown that, apart from the record profits posted this year in the wake of skyrocketing energy bills, the ‘Big 6’ energy companies paid out almost £23 billion in dividends over the last ten years, while also paying out huge executive salaries.¹²

Taken together, these shifts have transformed the economy into one which relentlessly funnels wealth upwards, towards those that already have the most.

¹¹ Gerald Epstein : “Introduction: Financialisation and the World Economy” Cheltenham, UK & Massachusetts, USA: Edward Elgar; 2005; p.3

¹² Sandy Brian Hager, Joseph Baines, Miriam Brett, “Power ahead: An energy system fit for the future”, Common-Wealth (2022), <https://www.common-wealth.co.uk/reports/power-ahead-an-energy-system-fit-for-the-future>

Billionaire's Playground: Taxation and the UK as a Destination for Extreme Wealth

In addition, the tendency for greater financialisation to increase wealth inequality has been reinforced by two related developments.

The first is trends in taxation, which have consistently favoured the wealthiest in society. To be clear, the UK's taxation system as it currently stands is redistributive. According to the ONS, the richest 20% of people's average incomes before taxes and transfers were twelve times higher than the poorest 20%, whereas after tax, their incomes were only four times higher.¹³ However, this redistributive effect has not compensated for growing inequalities. This is due both to cuts to benefits at the lower end and falling tax rates at the top, with top rates of income tax having fallen from 83% in the 1970s to 45% today.

In addition, taxes on certain types of income - which flow almost exclusively to the wealthiest e.g. capital gains - are still taxed at a far lower rate than income from work. And, more broadly, while assets and wealth may be taxed in some circumstances (e.g. stamp duty land tax or inheritance tax) most taxes are on income and not wealth, despite the fact that wealth is distributed far more unequally in the UK than income

Another related development has been the development of London into a haven for the world's elite. While London has been a 'global city' in many ways for hundreds of years, the past few decades has seen London increasingly transformed by massive inflows of international wealth. The importance of the UK as a centre for a globalised wealthy elite is reflected in the Sunday Times Rich List, with Indian, Ukrainian, Swiss, German, Swedish and Dutch nationals all making up the top 10 alongside Brits.

This transformation of London is rooted in the City of London's role as both a global financial centre and as the centre of a vast web of tax evasion and avoidance, a role facilitated by both the UK's weak transparency laws and its links to former British colonies such as the Cayman Islands and British Virgin Islands, the latter of which play host to over two thirds of the companies linked to public officials in 2021's Pandora Papers.¹⁴

As a consequence, vast amounts of money from secret and suspicious sources flow through London, and particular its property sector. Transparency International revealed that 91% of overseas company-owned property in London was brought through secrecy havens like the British Virgin Islands.¹⁵ At least £4.4 billion of property in the UK has been bought by corrupt individuals, mostly in London. As well as helping entrench inequality here by increasing housing costs, much of this money is stolen or from bribes, and the National Crime Agency believe that the true figure for illicit money being laundered through the UK is in the tens or hundreds of billions of pounds.¹⁶

**SAFE PLACE FOR
STOLEN MONEY**

£4.4 billion
stashed in UK property

£10s-100s of billions
laundered through UK

Recommendations

This briefing has placed the billionaire class and the explosion of billionaire wealth in the UK in the context of broader structural shifts in the economy that have occurred over the past four decades. In effect, billionaires are the chief beneficiaries of an economic system which functions to consistently funnel wealth upwards, enabling massive accumulation by the richest to the detriment of all other members of our society.

These shifts can be understood primarily as a result of the increasing financialisation of the UK economy, changes to taxation and the UK's role as a facilitator of global tax evasion and avoidance.

These same structures which have enabled the explosion in billionaire wealth have also led to the UK's staggering levels of economic inequality, which are among the highest in all rich nations.¹⁷ As a result,

13 ONS, "Effects of taxes and benefits on UK household income: financial year ending 2020" ONS (2021) <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financial-year-ending-2020>

14 Nicholas Shaxson, "Opinion: The Pandora Papers expose Britain's Role in Money Laundering" New York Times, October 2021, <https://www.nytimes.com/2021/10/11/opinion/pandora-papers-britain-london.html>

15 Transparency International, "London property: A top destination for money launderers", December 2016, p.8

16 Transparency International, "Faulty Towers: Understanding the impact of overseas corruption on the UK property market", March 2017, p.9

17 OECD Data: income inequality Inequality - Income inequality - OECD Data [accessed 25th Nov 2022]

the UK's billionaires are intimately tied to many of the challenges that the UK faces today.

So what action can we take?

■ A strong first step would be the **establishment of a progressive wealth tax** aimed not at providing temporary reprieve or emergency funding, but specifically at achieving a more even distribution of wealth.

■ Secondly, the **financial sector**, which has driven many of the shifts highlighted in this briefing, is in dire need of **reform aimed at diverting it away from the short term thinking and extractivist practices** which have stunted the economy and driven inequality.

■ **Corporations too need reform in order to be more democratic:** this could be achieved via the expansion of employee ownership and sectoral collective bargaining.

■ **Reversing the privatisation of essential services** too offers much potential, not least as a tool to tackle spiralling prices of everyday necessities like energy.

■ Finally, **adopting a community wealth-building approach** to facilitate local economic development and shift the emphasis away from global cities to local communities would address regional inequalities.

These may be hard-won battles, but the time to have them is now. If we want to see progress in addressing the staggering and harmful inequalities of wealth that our structures have enabled, action is needed.

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