

The benefits of the redistribution of wealth

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Martin Wolf is facing reality this morning, which is something he is, to be fair, more willing to do than most economic commentators. In an [article in the FT, he says](#):

So long as growth remains so slow, no amount of prudence will solve the UK's difficulties, including its fiscal ones. A stagnant economy is also a "zero-sum" economy, in which more for some groups inevitably means less for others. The politics of such an economy are bound to be fraught. Ultimately, either fiscal discipline or democracy itself is likely to collapse.

It's good to see that he might be catching up with the current fiscal reality of austerity.

Except, of course, he is also wrong.

His first sentence is true. It can even be argued, in the very short term, that his second sentence is true. A static economy is 'zero-sum'. But the consequences of redistribution from those with wealth to those who lack it are not static, and so his 'truth' only holds in the very short term. Thereafter, such a redistribution is bound to promote growth, because the redistribution comes from money that has been saved, and which is therefore not in use in the economy, into money that will be spent, thereby generating growth.

The conclusion Wolf offers is, therefore, wrong, with one caveat. Redistribution shatters 'zero-sum' economics because the marginal propensity to consume of those with money in the economy changes beneficially. The politics of this will, in that case, only be fraught if those with wealth do not wish that to happen, even though they will very obviously benefit from it.

Three obvious questions follow. First, why would they want to do that?

Second, why does Wolf not know this will happen?

Third, why isn't he promoting redistribution if he does know that will happen?

So let me add this question, which is, fourth, why don't economic commentators want to discuss the benefits of the redistribution of wealth? Could they have another agenda?