The inequality lie

https://www.taxresearch.org.uk/Blog/2025/10/11/the-inequality-lie/

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Right-wing commentators claim inequality in Britain is falling. It isn't.

The Office for National Statistics says the Gini coefficient has improved — but the truth is that it ignores capital gains, wealth accumulation, debt, and inflation that hits the poor hardest.

In this video, I expose the real story behind Britain's growing inequality and why official data is misleading, as well as suggesting what we need to do to tackle this issue.

Read the supporting blog post and data sources here.

https://www.youtube.com/watch?v=WhFPzDWOQzk?si=TQP63IZJRXymTPei

This is the audio version:

https://www.podbean.com/player-v2/?i=zyrj8-198d09a-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

I keep being told by people on the right wing of politics that inequality in Britain is falling. They base this claim on some data that has been published by the Office for

National Statistics in the UK, which we will come to in a minute, but the claim is false, and it offends me deeply.

If there's something that really motivates me, it is inequality. Perhaps it's because I'm a twin, and what I know is, as a consequence is that, although I shared a womb with this guy, he and I are not in any way alike. We're best friends, but that doesn't mean to say that we are the same. I realised very early in life that the world can be very unequal in the way it treats people, and that fact has offended me ever since.

Those who claim that the world is moving towards equality when it isn't are always going to annoy me, and that's what this video is about, because the world is not getting more equal, it's getting more unequal, and that's what I'm going to demonstrate.

The fact is that we are not seeing greater equality in the UK. There has been a move in the statistics around this issue where the Office for National Statistics has reported that the so-called Gini coefficient - that's G I N I, Gini coefficient - fell from 33.1% to 32.9% last year, and therefore there was an infinitesimally small improvement in the supposed situation with regard to inequality in this country as a consequence.

Now this Gini coefficient is the most commonly used measure of inequality in any country, but as anybody who has looked at statistics produced using that measure will know, it is by no means reliable. It's by no means reliable for a number of reasons.

First of all, that's because the income statistics that are used to prepare this Gini coefficient only measure wages, salaries, and some benefits. They completely ignore capital gains, trust income, profits hidden inside companies owned by the wealthy, and also unrealised wealth accumulation whether that be the rise in the value of somebody's share portfolio or the increase in the value of their pension fund, all of which contribute to a sense of well-being for the wealthy, which is never shared by those with lower wealth and lower income, and the two usually go together.

In other words, there is a hidden dimension to this issue of inequality, which the Gini coefficient, because it concentrates only on received income before and after tax, simply ignores.

So, what we have to do is actually look at what's really going on and why the Gini coefficient is not a good measure, and provide the robust arguments about what is really happening. And again, that is what really interests me.

The fact is that when we come to inequality, people on lower incomes and with lower wealth in the UK have fundamentally different lived experiences to those of people on higher levels of income.

If there is one thing that underlines everything that I'm going to say now, that is it. The assumption that we all live in the same economy is almost so unreal as to be ridiculous, and yet the Gini coefficient doesn't notice this.

So, for example, inflation is not the same for people on low incomes as it is for people on high incomes.

Poorer households face much higher inflation rates than the wealthy do. Energy costs, rent and food costs - all are rising faster than those of luxury goods. And the fact is that people on lower incomes have to spend a much larger proportion of their income on energy, rent, food, and such things than do people on those larger incomes.

If a person on a high income has to pay another £150 a year on energy, it's a matter of shrug the shoulders and move on. They don't mind.

If the food bill has gone up to more than a hundred pounds a week or maybe much higher still, depending on how much booze they probably buy to go with it, "So what" they'll say, they can afford it.

But in a poorer household. Those things are fundamental because they have to be paid first out of income, and what is left over is what is so significantly different in poorer households. It's a tiny part in a poorer household after essentials are paid, and those essentials are going up in price faster than incomes, whereas in wealthier households, there are things that simply are not going up nearly so much.

In fact, for example, if the wealthy are buying second properties, you would've noticed that, of late, properties have been pretty stagnant in price. So they aren't seeing inflation on the things that they buy in the way that those are harder up do.

And this inflation cap is recognised by some. For example, the Institute for Fiscal Studies, not an organisation who I normally stand by and say they get things right, have said that this inflation gap does most definitely hit the poorest hardest, and yet it's hardly recognised in UK economic policy.

And then let's talk about the impact of debt. Debt has a massive impact on poorer households in the UK. The reason is quite simple. That's how they make good deficiencies in the short term.

If you don't have wealth, you don't have resilience, you don't have the backup funds to deal with the proverbial rainy day - and that's why many households are considered to be poorer - they're either on low income or they have low savings, and in fact, the two very largely go together - and what we know is that wealth is massively distorted in its distribution across the UK economy - the point then is that a poorer household that hits a crisis, whether it just be the need for a new pair of shoes for a child who is growing so fast that parents can hardly keep up with the rate of change, or you have something go wrong with the cooker or fridge or whatever else it might be - the fact is, there are no savings to cover that rainy day. And so they resort to debt. They resort to the credit card at 29% or more. They resort to the payday lender if they can't get money from anywhere else. And the interest cost that they pay then becomes a significant part of their further committed expense before they can do anything else to provide for their families or even themselves.

And these families who suffer inequality because of the burden of debt, because they have no wealth, are effectively subsidising the wealth of those who do have wealth, because obviously somebody has to get the benefit of all this interest paid, and that is seen amongst the wealthy. They may not own the debt themselves, but the banks or the companies which make the loans are represented in their portfolio of shares, whether personally held or, as likely, through their pension fund. And the fact is inequality is therefore amplified by the process of debt interest payment, and particularly by those who are poorest. And nothing corrects for that in any of our assessments of how things stand at present.

But what we know is that debt is rising. Let me give you a very simple and straightforward example, and it's a very recently published piece of data. Ofgem, the energy regulator, has reported that households in the UK now owe £4.4 billion in unpaid energy bills that are overdue for settlement. 📍 More than a million homes are behind on gas or electricity payments. That means that they are owing substantial sums if the total comes to £4.4 billion in all, many of them will be well over £1,000, and some of them in multi-thousand pounds of debt to energy companies for bills that they simply cannot pay.

And at the same time, we also know that the default rate on direct debit payments for energy bills has tripled over the last five years. There is a stress that exists in this case that is illustrated by people simply not being able to afford to heat and light the homes that they live in, because energy has become a luxury.

This is staggering. This is unbelievable, but it isn't reflected in Gini at all because it's about expenditure. It's not about income. And we're seeing the same with regard to housing costs.

The Institute for Fiscal Studies, I'm referring to them again in this case, have estimated that 320,000 families in the UK have been pushed into poverty as a consequence of having to remortgage at higher interest rates, and the deal that they had when rates were fixed at around 0.5% by the Bank of England, and therefore around 2% on a normal domestic mortgage - many of those families are now on 6% or more interest rates because they are considered to be the more vulnerable cases, who don't get the best rate, and as a consequence, the jump in their payments is wiping out savings, and now disposable income. What used to be a home for these people is now for many a financial trap.

And of course, the situation is no better for those who are renting. What we know is that rents have risen at rates well above those of general inflation, and that's because interest rates are too high. When I keep on talking about the fact that inflation is fuelled by the Bank of England's high interest rates and not solved by the Bank of England's high interest rates, this is what I'm referring to, and the victims are the poorest people in our economy. They are paying the price.

And data from both the Resolution Foundation and the Institute for Fiscal Studies show that real median household income levels are now below those when we've adjusted for prices in 2019. In other words, people are worse off now than they were before the COVID crisis.

This is not progress. We are living in a situation of managed decline. So those who claim that inequality is getting better, in other words, lower, are making claims that are entirely false as a consequence. And I'm angry, and I hope you can sense that I'm angry because I am.

There is a wealth divide, which is fuelling this. Those who make these claims are living on one side of that wealth divide. I can almost guarantee that every person who says that inequality is getting lower or better in the UK right now is from a wealthy background. Their households are in the top 5% to 10% who are able to survive almost anything because if you're in the top 10% of wealth owners in the UK, you are one of the people who shares 57% of all UK wealth, and if you're in the top 1%, you're amongst those who share 23% of all UK wealth, whereas the bottom half of all people in the UK share 5% of total wealth between them.

This wealth gap has grown by 50% in just eight years. That's by how much inequality is growing in this country. These figures show a nation split between asset owners and asset renters, and that is unsustainable.

And the fact is that while official statistics say things are improving, real lives tell another story. And when real-life stories indicate an experience that is contrary to data, trust in our economic system, in government and in our society collapses. In turn, that feeds a collapse in trust and anger is fuelled, and populism and division are the result.

We are seeing the rise of Reform. We are seeing that people who are being told that they're better off, but know they aren't, are fed up with being patronised and condescended by a system that is not telling them the truth by people who are in denial about reality. Inequality is therefore threatening, not just prosperity, but social stability and democracy itself.

We are, in a sense, living in an inequality machine. Our economy is an inequality generator. Wealth literally creates more wealth through the charging of rent, through the charging of interest, and through the collection of dividends out of the profits of companies who are themselves making income at the expense of those who have lower levels of pay in this country. Debt has created more insecurity through repayments and fees, and the rich are compounding their gains while the poor are compounding their losses.

This is not an accident. It is the design of our economy, and all the while, the state is blind to this. It is refusing to measure wealth properly. It does so only infrequently. And our official data on inequality absolutely refuses to take into consideration the issues that I've just talked about, the fact that pressure on incomes is growing most particularly when somebody is in the lower part of the earnings spectrum.

The official refusal to consider this helps no one. So, we need to change things. I'm never interested in just saying we've got a problem. I'm always interested in saying there is a solution, and whilst we have no instant fixes to inequality in this country, if we don't begin to put in place procedures that change our perception and understanding of inequality, we are never going to make progress and that matters to me. That is why I've always been interested in data and how we can use it to make things better.

And we can fix the data on inequality so we can fully understand the scale of the problem that we face.

At the same time, we can also change the way in which our tax system operates so that we do tax wealth and capital gains more fairly and transparently.

And we could also reduce debt stress and reduce the basic cost of living for those who are in stress.

And we could use public investment to build genuine economic security.

But let's look at each of those issues I've just mentioned in turn, because each of them is important.

We could fix the statistics. We could create proper distributional national accounts that show the impact of all forms of wealth on well-being. We could show how capital gains, trust income, hidden company profits and the rise in the value of the pension funds of a few drive inequality, but don't appear in current data.

And we could also measure inflation by income group and not by a single national average, therefore, ensuring that when we apply indices to increase certain things, like for example, benefits and pensions and the minimum wage, then a proper rate is used reflecting the position of those in receipt of those things .

You can't resolve what you refuse to measure. That's a simple, straightforward fact. And right now, we are refusing to measure the truth, but we could. Everything I've just suggested is entirely possible. It could be done. It just requires a bit of political will, and the direction of some funds to create the proper information.

We could also tax wealth properly. I have written the whole of my Taxing Wealth Report about this, and I would refer you to it. There will be a link below or in the related blog post, which includes data to support everything that is said in this video, which is also going to be linked below.

Taxing wealth properly means closing loopholes. It means taxing companies at a proper rate when, at the moment they're at an incredibly low rate of tax. We should be equalising the rate of capital gains tax to match that of income tax, and we should introduce fair taxation on all income from wealth when, at present we don't, particularly because National Insurance is charged on earnings and is not on income from wealth, creating the most massive disparity between the two.

And all of this is entirely fair. Remember that just 3% of adults in the UK pay capital gains tax, so the measure I just suggested about equalising the capital gains tax rate and the income tax rate affects a tiny number of people and almost certainly not you. The fact is that we are talking about justice here and nothing else.

We also need to be desperately practical about debt. There have to be programmes to relieve debt where debt is now unpayable. It is quite absurd that we are living in a country where a large automotive manufacturer, JLR, who makes Jaguars and Land Rovers, has had their debt crisis supported by the government with a debt guarantee, and yet households who are in absolutely unmanageable levels of debt for them get no help at all. We need to have a system of writing off debts where debts have become unmanageable without having to go through the whole formal process of insolvency, which is long, complicated and blights a person's life for a period of time.

We have to cap interest on short-term credit, and we have to crack down on exploitative lending, including in the mortgage market. We should provide mortgages for life at a fixed low rate, which is possible in the USA, but for some reason is not possible here.

And we have to create social tariffs for energy and other costs that are affordable by low-income families so they simply have the chance to survive in the country where we live, which is a form of universal basic service, in other words.

And we need to invest and not least in the homes of those with lowest incomes so that they have insulated homes with the lowest possible energy costs, so that they are protected from rising prices rather than be the victim of them, as is so often the case now.

At the same time, and as I've already mentioned, we must look at inflation in the way that it actually impacts the real lives of people. And so we must use inflation rates for those things that affect the poorest most, that are appropriate to their needs, which take into account, therefore, the inflation rates on rents, energy, food and other essential costs rather than a general cost of living index, which applies to everything, most of which will never affect lower income households. This is essential to protect those in poverty.

And we have to tell real stories. The idea that inequality is falling is a myth built on bad data. The truth is that the gap between the rich and the poor is widening across every measure that matters. And we have to recognise that the rich are shielded by their assets, whilst everyone else is exposed to more risk and more debt as a consequence of the world that we are now living in. Unless we tell these stories, honestly, we cannot build a fair and functioning economy.

Inequality isn't falling. It's being buried under misleading statistics. Misleading statistics, which our politicians are using to support their myth that they're doing something useful when they're not.

We must measure the reality and not the myth.

We must tax wealth fairly and protect people from debt-driven poverty.

Only when we do those things can we claim to be building a just society, and that's what motivates me. I want people to live with fairness so that they understand that this is a welcoming world where they are a part as much as anybody else, and at present, inequality is denying far too many people the opportunity of ever feeling that way, and to me, that's profoundly offensive.

But what do you think? Do you think we are living in an unfair country? Do you think that we are suffering inequality? Do you think it should be a priority for government? And do you think we should be going out of our way to help those on lowest incomes in a way that at present we never go near?

Let us know. There's a poll down below. And give us your comments on this video. We'll be pleased to hear them.

Essential links

Links to the data in this video are available **in this other Funding the Future post.**

The Taxing Wealth Report can be found here.

Poll

[poll id="229"]

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, **here.**

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

Comments

When commenting, please take note of this blog's comment policy, **which is available here. Contravening this policy will result in comments being deleted before or after initial publication at the editor's sole discretion and without explanation being required or offered.**