

## BOOK REVIEW

### Wealth in the UK: Distribution, Accumulation and Policy

John Hills, Francesca Bastagli, Frank Cowell, Howard Glennerster, Eleni Karagiannaki and Abigail McKnight

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This book provides a valuable insight into personal wealth in the UK. It is an output from the well-known research grouping based at LSE, the Centre for Analysis of Social Exclusion (CASE), where much work on poverty, social disadvantage and obviously now wealth distribution, has been undertaken. It has been published at a time when there is an increasing amount of attention being paid towards what appears to be a polarised spread associated with income and assets. Recently Andrew Haldane, the Chief Economist at the Bank of England, referred to inequality as part of the problem of secular stagnation that some economists are beginning to worry about, while at roughly the same time Janet Yellen from the USA Federal Reserve raised concern at “the most sustained rise in inequality since the 19th century” being experienced in the US. Yellen was talking specifically about income inequality and here lies a subtle difference from wealth inequality as Hills *et al.* point out in this book. Wealth has always been fashionable as a glamorous part of entrepreneurial aspiration, although now we see in a number of news reports and TV documentaries that wealth inequality is equally as trend-setting. Perhaps this book and its publication has been caught in the shadow of Thomas Piketty’s ‘Capital in the Twenty-First Century’, the one that took all the headlines early in 2014. I suspect Piketty’s book will sell more and will be strategically placed on academic and non-academic shelves in many countries, yet for those interested in poverty and wealth in the UK, to ignore this book would be a mistake.

‘Wealth in the UK’ is listed with six authors. It contains nine chapters in three sections, with each chapter written by one or two authors of the six involved. The first section of the book looks at wealth and its distribution. Early on in the introduction presented by John Hills, we learn that the ONS put a value on total UK wealth of some £5.5 trillion (before pension entitlements). Of this around £3.4 trillion is the value of houses and other property. Remember this figure because it turns out to be rather pertinent. Yet the almost abstract nature of the subject of wealth is reinforced when

the authors point out that in this figure of trillions, is about £1.8 billion worth of physical wealth attributable to personalised car number plates! And this in turn raises points about what it is that is measured and how it is measured. Chapter 2, written by Hills and Bastagli, looks at trends in wealth distribution in Great Britain, drawing on the ONS Wealth and Assets Survey and HM Revenue and Customs (HMRC) data. The authors are upfront in explaining the varied quality of data coverage over time and space and we learn that as good as the quality is, it is not perfect. Yet there is simply no question of the rigour of the work here being compromised, as these are experienced academic researchers who through their interrogation have provided a strong empirical evidence base for other researchers to refer to.

Hills and Bastagli show that relative wealth inequality was less in 2005 than in 1995, even though in absolute terms the gap has grown. They explain how in 2008-10 the top tenth had wealth worth some 850 times that of the bottom tenth. We also see that the top one per cent had an average wealth holding of more than £5 million, accounting for 14 per cent of the total while the bottom two per cent had zero or negative wealth. These are the headlines that we have become accustomed to, although there is a more interesting story in Chapter 2. The trends from the 1950s imply that personal wealth declined in importance between 1950 and 1980, but then from this point we see personal wealth outstripping that of national income. To interpret this in a simple manner the annual increase in the value of assets, such as housing, becomes greater than growth in gross domestic product. Herein lies an important conflict that we see today around the rentier class vis à vis the value created from the manufacture of goods and provision of services; financial wealth becomes more unequal, housing wealth becomes a greater share of total wealth and the most rapid increase in housing wealth is experienced by those in the middle of the wealth distribution, important points that are revisited in the later chapters of the book. Chapter 3 written by Frank Cowell introduces an international perspective to UK wealth inequality. Drawing on the Luxembourg Wealth Study, Cowell spends some time comparing the UK with Sweden, Canada and the USA. Importantly, we see that wealth inequality in the UK is lower than in all three of these countries although little is revealed in terms of the quite different social security systems in each, as the author spends most time demonstrating the technical basis to explaining wealth inequalities across countries. It is in the following chapter that we really get to one of the major causes behind the trends pointed to in both Chapters 2 and 3.

Section II of the book looks at personal wealth accumulation. Of the many informative chapters and excellent analysis in the book, it is Chapter 4 that really demonstrates some of the most crucial points made by the authors. Titled 'Wealth Accumulation, Ageing and House Prices', the chapter is written by Bastagli and Hills using data from the British Household Panel Survey (BHPS) to consider the rise in property wealth and the effect of age over a ten year period from 1995 to 2005. What the BHPS enables is an examination of wealth of the same people's lives as they grow older, and thus reveals the significant impact on wealth and inequality from house prices. During this time median housing wealth rose from £28,000 to £102,000 - a 264 per cent increase. The importance of the house price boom from the 1990s is emphasised as a major component of the increase in total wealth over this period. For those households sitting around the middle point of the wealth distribution, even with relatively modest financial assets they experienced a rise in wealth from £37,000 in 1995 to £113,000 in 2005 - a 205 per cent increase. The house price impact was certainly important at the top end as the most affluent tenth of households saw their wealth rise from £190,000 to £385,000 - a 97 per cent increase. Over this period at the opposite end, the poorest 10 per cent saw their net debt rise from £1,900 to £6,500. Housing wealth dominates this chapter and other important points around

household composition and age emerge as secondary. Bastagli and Hills drive home the point that owner-occupied housing has become critically important for those households in the middle of the UK wealth distribution, who have seen an increase in their wealth while other assets have remained marginal. Although housing was still valuable, it became less significant for those at the top end who saw their wealth increase through having a greater proportion of financial assets in their portfolios.

Chapter 5 looks in detail at inheritance, whilst Chapter 6 looks at some of the key factors that determine future advantage. Karagiannaki and Hills use the Inheritance Tax Records held by HMRC to analyse the aggregate value of estates (in real terms) between 1984 and 2005. Inheritance accounts for about four per cent of national income and averages at £175,000 per transfer, divided between four to five inheritors. Other sources used are the 1994/5 General Household Survey and the 2004 Attitudes to Inheritance Survey. The latter, for example, shows that nearly twice the number of people with a degree received an inheritance than those with no qualifications. The authors explain that inheritance itself is an unequal process and inherited wealth in the ten years to 2005 was a factor in growing wealth inequality. Those with greater levels of wealth tend to receive greater levels of inheritance, and this helps to maintain wealth inequality. In Chapter 6 Knight and Karagiannaki build on the inheritance theme by considering the future advantage of children in relation to parents' wealth. The authors use the BHPS and the National Child Development Study, a data set that draws on a sample of people all born in the same week in March 1958. Their analysis examines the association between wealth, health and wellbeing, with a positive relationship between wealth holding at an early age (23 years) and general health, and a reduced risk of suffering from malaise. What this chapter shows is that parental wealth has an effect on a child's educational attainment and, therefore, his or her future employment prospects, and that housing wealth has an effect on parental wealth. In contrast it is debt that is a factor in the future employment disadvantage of children.

The final section of the book leaves behind the detailed empirical analysis of the previous chapters and turns towards a more discursive consideration of wealth and policy. In Chapter 7, written by Howard Glennerster, two main philosophies concerning the role of the state in wealth distribution are examined, the conservative and radical traditions. Here we see a juxtaposition of efficiency and morality as the basis for the state trying to achieve a more equal distribution of wealth. Glennerster is skilled at articulating the arguments and this chapter reaffirms just how difficult it is to tax the wealthy in the name of redistribution, regardless of political intent. Hills and Glennerster continue the theme in Chapter 8, looking in more detail at some of the consequences of policy, particularly around taxation, savings, asset accumulation and welfare. The authors make the link back to the value of housing, showing how the discounts from the Thatcher government Right to Buy legislation amounted to a massive £150-200 billion from its implementation between 1980 and 2009. It is Hills and Glennerster who also provide the concluding chapter, where they consider what might be done to address wealth inequality and the type of reforms that could affect wealth and savings. A crucial point is made as the authors note how personal wealth *"has become more important in the economy and has significant effects on people's life chances, while access to it remains highly unequal"* (p.199). We see therefore how policy might equally be designed to maintain or augment wealth inequality, particularly from those who hold the view that inequality is an outcome of wealth creation and who would argue how the latter is obviously beneficial to the economy.

The authors have provided an excellent contribution to the debate on wealth inequality. Of course, as with all academic books the critical reader wants the tome to be exhaustive, but this can never be the case. The main weaknesses of the book, then,

are that theoretical discussion around wealth creation is not really addressed; and there is little attention paid to the financial crisis other than an understanding of how it affected the empirical trends in the data deployed. The reader is not exposed to the problems of asset bubbles, although surely housing remains as one very observable example, nor to the more recent debates about deflation and secular stagnation. Nor do the authors explore if there is a discernible geography to wealth inequality, which there surely is based on the impact of housing wealth in the UK. However, the strengths of the book outweigh any such critique. This book can be a difficult read because of its technical approach and attention to detail, but a clear message is made from the presentation of such in-depth empirical analysis, one that points to how the growth in wealth in the UK is almost all attributable to housing and the unprecedented rise in house prices from the 1990s. Behind this there is the message that asset-based growth is overtaking production-based growth. This is why the final section is important, as it seeks to unpick contemporary policy on what might be done to link wealth creation with a more utilitarian distribution, although alternative forms of organising the economy are not really considered beyond the reforms that could be captured in incremental changes in current policy direction. The authors have put together a number of complementary chapters that are of interest and will be useful for researchers and students in a wide range of fields, including social policy, housing studies and political economy. As we engage in the contemporary discussion about wealth and its excesses, we should be minded to remember that there is an equally important debate about poverty that remains. This book should help with that agenda too.

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