

Editorial: Extreme Inequality as a Threat to Democracy

Globally, income and wealth inequality are reaching staggering levels. According to the authoritative *World Inequality Report 2026* (Chancel et al., 2025), the combined earnings of the top 10% of humanity are around seven times those of the bottom 50%. Wealth inequality is even more pronounced: the top 10% enjoy almost 40 times the wealth of the bottom 50%.

At the extreme end of the wealth distribution, inequality is even starker. For instance, fewer than 60,000 multi-millionaires possess three times more wealth than the bottom half of humanity combined. And a mere handful of the world's richest people have combined assets close to US\$2 trillion, roughly equivalent to those of the poorest several billion. On current trends, there will soon be trillionaires.

At the national level, across both developed and developing countries, income and wealth inequality is also marked. The bottom half of the population, for instance, rarely possess more than 5% of their nation's wealth. Similarly, gender inequality in both incomes and assets remains deeply entrenched. Compounding matters, both climate and tax injustice are rife: in most countries, wealthy citizens contribute vastly more emissions than the poor and pay far less than their fair share in taxes.

More concerning, however, are the threats posed by extreme socio-economic inequality to the integrity, legitimacy and stability of democratic governance. Admittedly, the relationship between inequality and democracy is complex and has been long debated. Nevertheless, while extreme inequality and democracy appear to have been compatible for many decades, ultimately the former poses serious risks to the quality and durability of the latter. The reasons are straightforward.

Political equality is a fundamental principle of democracy. At a minimum, citizens must enjoy equal political and civil rights, not least the formal equality of universal suffrage: each person's electoral participation must have broadly equal value and thus provide an equal opportunity to influence the composition and decisions of a nation's representative institutions.

Extreme socio-economic inequality, however, clashes with political equality in multiple ways. Substantial wealth, after all, can be conveniently and quickly – and often legally – converted into political power, while political power can, in turn, be employed to enhance the inequality of resources and opportunities. In short, without adequate procedural and

regulatory checks and balances (e.g., to prevent electoral gerrymandering and the 'buying' of votes), a self-reinforcing spiral of rising political and economic inequality can readily occur, with each form of inequality feeding on the other. Eventually, plutocracy or autocracy replaces democracy.

The second Trump administration vividly illustrates the multiple pathways of democratic corrosion and decay. Among these are using wealth to exercise a disproportionate sway on public opinion and policymaking through extensive lobbying, purchasing political access, and funding political parties and candidates (at all levels of government), along with influencing political appointments and manipulating political reporting and commentary (e.g., via concentrated media ownership, including social media platforms, and editorial control). Other pathways include explicit corruption and unethical behaviour (e.g., bribery, nepotism, cronyism, extortion, graft, influence peddling, kickbacks, abuse of discretion) and the undermining of independent public institutions and the rule of law.

Democratic governance is further eroded where a few extremely wealthy individuals not only influence government decision making in several important policy areas (e.g., specific regulatory matters) but also exert a powerful sway across a broad range of contemporary issues. In such situations, policymakers' responsiveness to voter preferences declines, political trust vaporises, corruption becomes more endemic, pernicious polarisation escalates, and voters lose confidence in the integrity of democratic norms, processes and institutions. Alienation, disenchantment and grievances intensify. The primary beneficiaries are autocrats, populists and illiberal social movements.

Aotearoa New Zealand is not immune to such processes. Egalitarian values, which were once a hallmark of the country's political culture, are no longer dominant. Both income and wealth inequality, while certainly less extreme than in some OECD countries, are much greater (on a range of standard measures) than during the immediate post-war era. And, regrettably, the damaging political consequences of heightened socio-economic inequality are becoming more evident.

If democratic norms, processes and institutions are to be protected in such a context, two broad options are available. The first is to reduce inequality. The second is to insulate democratic governance from

the worst effects of vastly unequal resources. Arguably, both options are needed. Yet both are problematic.

Regarding the first: politically, increasing socio-economic inequality is much easier than reducing it. The rich are invariably content to become richer, but highly resistant to being made poorer. Also, in a globalised world, limiting or lessening inequality in individual countries can be readily thwarted, at least partially, by the capacity of rich individuals to migrate and/or move their assets across borders. Realistically, therefore, while a combination of policy reforms covering taxation, social transfers and various regulatory matters can influence the distribution of income and wealth, reducing inequality sustainably and significantly (e.g., as measured by the Gini coefficient) will be politically challenging – except perhaps during a major global financial crisis and/or an extended national or international emergency of another kind.

The second option involves mitigating the corrupting impact of socio-economic inequality on democratic processes by lessening the capacity of the rich to exercise a wholly disproportionate influence on policymaking. In effect, this means enhancing the overall quality and resilience of democratic governance.

There are many ways of pursuing this objective, as recent contributions by Sir Geoffrey Palmer (2025) and Philippa Yasbek (2024) highlight. But efforts to reduce the easy conversion of economic power into political power, whether through constitutional, institutional or regulatory reforms, are often politically inconvenient and/or technically complex. Typically, they also lack sustained and vigorous public support. As with reducing inequality, a deep and lasting crisis may be necessary to facilitate the desired reforms. Yet crises can be politically destabilising – and damaging democratically.

That may be an unhappy conclusion. But realists, while ever hopeful, must be realistic.

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References

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