WEALTHY AUSTRALIANS

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A decade ago this journal published an article on 'The Super Rich in Australia', looking at data from the *Business Review Weekly* (BRW) on the nation's most wealthy people (Eaton & Stilwell, 1992). It is appropriate now to look at what has changed over the intervening decade. Has the concentration of wealth increased? How much more wealth do the rich now need to secure their place on the list of the wealthiest Australians? And what sorts of economic activity generate this concentrated wealth?

Questions such of these are of interest to political economists as well as to these who are (or aspire to be) wealthy themselves. Capitalism is an economic system of production, exchange and distribution based on the use of economic power to distribute the wealth that is generated through productive labour. So exploring the question 'who gets what?' is a recurrent theme in political economy. It is typically explored in impersonal terms through study of the relative shares of wages and profits in the national income (see the article by Simon Mohun in this issue of JAPE).

It is quite easy to obtain data on the overall distribution of income, based on annual taxation returns and questions asked of all Australian households in each census. However, reasonably reliable wealth data is more elusive. Whereas income is a flow (over time) wealth is a stock (at a point of time); and data on these stocks are much harder to obtain. Because there is no general wealth tax in Australia, no information on wealth is generated as a by-product of the taxation system, as is the case with income tax and incomes. And no question on total wealth is asked in the national census.

The first - and still the only – official survey of the distribution of wealth by an Australian government was undertaken in 1915 (see Knibbs 1916; and Aarons 1999, Appendix One). Since then successive governments have shied away from conducting any systematic survey. The 'left' faction within the ALP has periodically proposed doing so, but Labor in government has never 'bitten the bullet'. Successive Coalition governments, not surprisingly, have not sought to draw attention to this or any other aspect of the economic inequalities to which their policies contribute.

Indirect estimates of the distribution of wealth have been made, such as the pioneering study published in this journal by Raskall (1978) and subsequent research by Pigott (1987) and Dilnot (1990). Aarons (1999) has written a lively polemic on the topic, drawing on these sources and on other observations about the political economic forces contributing to the pervasive inequalities of wealth that divide Australian society. However, for a detailed empirical examination of the changing patterns of wealth over the last decade there remains no alternative to the BRW data.

The 'rich list' the BRW publish annually shows the wealth of the richest 200 people and families in Australia. This is a tiny elite, comprising only about 0.001% of the population. But a study of its character and changing composition can provide useful insights into contemporary socio-economic trends.

The article is based on an analysis of the BRW data for each of the years 1993-2003. It considers: (1) the personal wealth necessary to feature in the list of the wealthiest Australians, (2) the total asset values of these wealthy people, (3) the concentration of assets among them, (4) the principal sources of their wealth, and (5) some characteristics of the up-and-coming 'young and rich'. Finally, consideration is given to: (6) the quality of the BRW data, and (7) the broader implications of the patterns and changes revealed in this analysis.

Entry to 'the Rich List'

How much wealth does it take to get listed in the BRW 'top 200'? Table 1 demonstrates the amount of wealth that was necessary to be among the top 10, 100, and 200 richest Australians for each year between 1993-2003.

Table 1: The Wealth Needed to be in the Australian 'Rich List', 1993-2003 (A$ million)

Year	To be in the top 10	To be in the top 100	To be in the top 200[a]
1993	$500 million	$60 million	$30 million
1994	$550 million	$75 million	$37 million
1995	$560 million	$85 million	$42 million
1996	$560 million	$95 million	$50 million
1997	$600 million	$115 million	$55 million
1998	$700 million	$130 million	$60 million
1999	$860 million	$145 million	$65 million
2000	$950 million	$185 million	$85 million
2001	$1200 million	$200 million	$88 million
2002	$1300 million	$210 million	$93 million
2003	$1000 million	$215 million	$94 million

Source: analysis of BRW annual data

Note a: For years 1993, 1994, 1995,1996,1997,1998 and 2000, the BRW published less than 200 names: 193, 184, 188, 186, 193, 198 and 198 respectively. So the final column of this table relates to this number of wealth-holders in these years, i.e. a little less than 200 in each case. On the other hand, for the years 1999, 2001, 2002 and 2003 the BRW list showed more than 200: 201, 208, 205, and 210 respectively. For these latter years only the top 200 were counted.

How are the data in Table 1 to be interpreted? Look first at the final column showing the wealth necessary to just 'scrape into' the annual BRW list. In 1993 this was $30 million, but by 2003 it was $94 million. The preceding column shows that it took wealth of $60 million to be in the top 100 in 1993, but $215 million by 2003. The first column shows that to get in the top 10 required $500 million in 1993, but this rose to $1000 million by 2003. So, in round terms there was a threefold increase in the wealth needed to get into both the top 200 and 100 over the decade and a doubling of wealth necessary to get into the top 10.

To put these changes in perspective, it is necessary to take account of inflation. But what measure of inflation? It is commonly observed that the asset price inflation in the 1990's was more rapid than rises in general consumer prices. So should a special asset-price deflator be applied to discern the 'real' increase in asset values? The problems are partly empirical – reflecting the difficulty of constructing any such time-series – and partly conceptual – whether one wants to measure increase in asset volumes or spending power. The Consumer Price Index (CPI) is the appropriate deflator if it is the spending power of the wealthy that is at issue. The CPI rose by 29 percent over the period 1993-2003[1]. That would have meant that the $30 million needed to get onto the 'rich list' in 1993 would have risen to about $40 million by 2003 just to keep pace with inflation. In fact the 'entry qualification' rose to $94 million. So we may infer that about a sixth (c. $10 million) of the $64 million increase in wealth needed to get onto the 'rich list' involved the effect of inflation: the other five sixths ($54 million) represented real increases in spending capacity of the wealthy.

The Total Wealth of the Wealthy

So how much do these wealthy people own? Table 2 demonstrates the total wealth of the richest ten, one hundred and two hundred Australians for each year between 1993 and 2003. For this purpose, no distinction is made between individuals and families in the BRW list, and the information is provided in current dollar values.

Column 1 of Table 2 shows that the wealth of the top ten wealth-holders increased from $12.5 billion to $23.7 billion over the decade. Columns 2 and 3 show that the wealth of the richest one hundred and of the richest

1 Calculations are drawn from ABS data collections: LONGER TERM SERIES:
CPI All Groups, Weighted Average of Eight Capital Cities, Index Numbers(a)

two hundred increased proportionately rather more. Some $75 billion is now held by the wealthiest 200 Australians. These are prodigious volumes of wealth by any standards.

Table 2: Asset Values of the Super-rich in Australia, 1993-2003 (A$ million)

Year	Top 10	Top 100	Top 200[a]
1993	12 540	24 295	28 025
1994	17 000	32 495	36 976
1995	15 200	32 325	37 389
1996	11 170	30 175	36 115
1997	12 370	33 528	40 673
1998	15 400	39 349	47 696
1999	19 150	47 028	56 963
2000	22 800	57 010	69 215
2001	22 910	56 904	70 417
2002	24 310	61 600	75 790
2003	23 760	60 405	74 874

Source: analysis of BRW annual data

Note a: The qualification indicated in footnote 1 applies again here.

It should be emphasized that these figures on total wealth allow for 'comings and goings' among the personnel. In other words, they show the wealth of whoever is in the top 10, 100 or 200 at any one time. But particular individuals have played a persistent role, skewing the distribution sharply at the top. The most obvious example is Kerry Packer, whose estimated wealth grew from $3000 million in 1993 to $5900 million in 2002, dipping a little to $5500 million in 2003. Industrialist Richard Pratt, number two on the list, had a sevenfold increase in his wealth from $550 million in 1993, surging to $3800 million by 2003.

The Concentration of Wealth

Is there growing concentration of wealth among the wealthy? Table 3 provides some information on the concentration of wealth-holdings among the super-rich themselves.

Table 3: Concentration of Assets Among the Australian Super-rich, 1993-2003

Year	Share of top10 asset-holders in the top 100 (%)	Share of the top 50 asset-holders in the top 100 (%)
1993	52	85
1994	52	85
1995	47	83
1996	37	78
1997	39	78
1998	39	78
1999	41	79
2000	40	78
2001	40	78
2002	40	77
2003	39	77

Source: analysis of BRW annual data

As with the total value of wealth, there are some fluctuations in these concentration ratios from year to year, but a clear overall trend is discernible. Both the shares of the top ten and the top 50 among the top 100 asset-holders declined in the decade. These patterns contrast with the preceding decade when both the shares of the top ten and the top 50 among the top 100 asset-holders had risen, indicating an increased concentration of wealth among the super-rich. In that 1983-1993 period Kerry Packer's estimated wealth had grown from $100 million to $3000 million, while the Murdoch family's wealth had grown from $250 million to a massive $4500 million. The subsequent de-listing of Murdoch (as the result of his change of nationality) is itself a significant reason for the modest decline in the asset concentration ratios over the past decade, as shown in Table 3.

Sources of Wealth

A 'Wizard of Id' cartoon shows the King (of Id) being asked by journalists 'what are you doing about the gap between the rich and the poor?' 'I'm encouraging the poor to close the gap', he replies. 'How can they do that?' the journalist asks. 'Find out how the rich got rich' says the King. Beyond the humour lies a serious point. From a political economy perspective it is important to probe the sources from which the major concentrations of wealth in Australia derive. The individual commentaries in the annual BRW listings are valuable in this respect. As a quick indication of the changing patterns, Table 4 shows the sources of the wealth of the top ten super-rich for the first and last years in the period 1993-2003.

Table 4: Principal Sources of Wealth of the Top Ten Wealth-holders in Australia, 1993 and 2003

	1993	2003
1	Media / Investment (Kerry Packer)	Media / Investment (Kerry Packer)
2	Property (Maurice Alter)	Manufacturing/ paper/packaging/ Investment (Richard Pratt)
3	Engineering / Property (Franco Belgiorno- Nettis Carlo Salteri)	Retail /shopping centers/ (Frank Lowy)
4	Retail / Property (Marc Besen)	Manufacturing- steel/ investment (Smorgon Family)
5	Retail / Wholesaling (John David)	Property -shopping centers/ Services – aged care (John Gandel)
6	Investment (James Fairfax)	Investment (David Hains & Family)
7	Media (John Fairfax & Timothy Fairfax)	Property (Harry Triguboff)
8	Transport (Lindsay Fox)	Manufacturing – Textiles / Investment (Liberman Family)
9	Property (John Gandel)	Retail – industrial equipment/ Media (Kerry Stokes)
10	Resources (Joseph Gutnick)	Rural – wine (Bob Oatley & family)

Source: BRW; May 1993 and May 2003

Property features four times on the 1993 list as a principal source of the fortunes of the top ten wealth-holders. In 2003, rather interestingly, manufacturing features three times as a source of wealth while property only twice. The services sector is relatively more visible (if not always most profitable) in that later year too. Media /investment continue to be the principal source of wealth accumulation for the richest Australian, Kerry Packer. Retail industry and the development of shopping centers feature prominently among the wealth sources of the top ten.

It is difficult to know what to make of these patterns. In aggregate terms manufacturing has not been a major growth sector in the Australian economy over the last decade, while property development / investments have been buoyant sectors of capital accumulation, yet these general trends are not evidently manifest in the personnel listed at the apex of BRW's 'rich list'. Generalizations are problematic in this regard, since finding niche areas within manufacturing industries – as in other sectors of primary and service industries – can evidently be a basis for the acquisition of enormous wealth. And, looking at the top 200 overall, property stands out as still the most important single source of wealth. According to the 2003 BRW, 48 'property barons' have a combined wealth of $16.7 billion, well ahead of services and manufacturing industries as sources of wealth.

It is also worth considering the significance of *inherited* wealth. BRW tends to project the notion that individuals can achieve wealth from a poor background. However, according to Gilding (1999: 173), their lists are biased "toward self-publicizing individuals and spectacular success stories, and against old wealth and wealth distributed around old families".

Table 5 seeks to identify some features of the social background of the wealthiest Australians in 1993 and 2003, according to whether they were migrants and whether they inherited substantial wealth, for example. Inspection of this table reveals some contrasts with the popular notion of 'self-made' millionaires. The 2003 BRW states that 'those who started with inheritance hold only 30% of the total *Rich* wealth'. But those right at the top have derived a disproportionately larger part of their wealth through kinship networks and inheritance. For instance, 6 out of the 10 wealthiest people in 2003 attained a substantial basis for their affluence through inheritance: the comparable figure in 1993 was 4 out of 10.

Table 5: Selected Background Characteristics and Wealth Sources of the Top Ten Wealth-holders in Australia, 1993 & 2003

Top 10	1993	2003
1	inheritance (Kerry Packer)	inheritance (Kerry Packer)
2	migrant (Maurice Alter)	family & kinship (Richard Pratt)
3	migrant (Franco Belgiorno- Nettis Carlo Salteri)	migrant (Frank Lowy)
4	migrant (Marc Besen)	migrant & inheritance (Smorgon Family)
5	migrant (John David)	migrant & inheritance (John Gandel)
6	inheritance(James Fairfax)	(David Hains & Family)
7	inheritance (John Fairfax & Timothy Fairfax)	migrant (Harry Triguboff)
8	(Lindsay Fox)	migrant & inheritance (Liberman Family)
9	first generation Aussie & kinship (John Gandel)	(Kerry Stokes)
10	(Joseph Gutnick)	kinship (Bob Oatley & family)

Source: BRW, May 1993 and May 2003

Also notable is the incidence of wealthy people from migrant – mainly European – backgrounds. 4 out of the 10 richest Australians in 1993 were migrants and 5 out of the 10 in 2003. However, being a migrant is not synonymous with having a poor background: inheritance and family connections evidently apply equally strongly among the migrants as among the Australian born.

'Young' and Rich

In 2003 the BRW published an additional list of the wealthiest Australians aged under 40. It enables us to see 'who's who?' among the up-and-coming, and to see how their characteristics and sources of the wealth differ from the wealth-holders on the main list. Sixty two persons are listed, with an average age of 35, an average wealth of $48 million and a total wealth of $2.5 billion. To get on the list requires at least $10 million. The wealthiest person, John Ilhan, founder of the mobile-phone retailer Crazy John's, has an estimated $200 million. Thirteen others also get over the 2003 level of $94 million to qualify for membership of the 'big league' rich 200 regardless of age.

There are some interesting features of these relatively young wealth-holders. For example, there are proportionately more women than on the main rich list: 23% are women compared with a mere 7% among the all-age wealthy people. The educational levels of the 'young and rich' are not strikingly different overall from a much broader stratum of Australian society, but with a significant cluster among the highly qualified. Eighty nine percent finished high school; 8% have technical college qualifications; and 32% a bachelors degree of whom just over half also have a postgraduate qualification. Some were educational 'stars': two, Gordon Fell and Mark Chiba, were Rhodes scholars. On the other hand, 19% of those who had attempted higher education dropped out of their courses.

What about the industries in which they have made their fortunes? Retail business ventures clearly come out on top, accounting for just over a quarter of those on the list. Technology accounts for 20%, services 15%, entertainment 11% and sport 9%. Finance and property at only 5% is less well represented than on the main rich list. Entertainment has been the route to riches for the richest woman (Nicole Kidman at $123 million) and sport for the youngest person to make the list (Lleyton Hewitt at $22 million).

The Quality of the Data

The reliability of the BRW data is uncertain, bearing in mind the difficulty of extracting and aggregating information on different types of wealth, ranging from land and property to cars, yachts, antique furniture and art works, bank deposits and shareholdings. The propensity of the rich to conceal wealth in family trusts and diverse company transactions and other 'financial legerdemain' is notorious, although having a contrary relationship with their propensity to flaunt it in 'conspicuous consumption'.

Gilding (1999) argues that there are fundamentally two major methodological problems with the construction of the BRW 'rich list'. Firstly, individuals are taken as the main component of investigation since they are 'irreducible and marketable'. However, BRW cannot sustain this consistently in practice, having frequent recourse to a more ambiguous unit of analysis, 'the family'. The separate list of 'family fortunes' shows fortunes disseminated through kinship networks, predominantly through inheritance.

The second problem is calculating the value of private fortunes. BRW collects the data mainly from 'public records and business intelligence; drawing upon public company records and property listings, obtaining value estimates on known assets, and questioning reliable and key industry contracts' (see Gilding, 1999: 171). Such sources are problematic in nature since 'concealed or inconspicuous forms of wealth' are likely to be overlooked. In the early years of the BRW data being published, one critic speculated that the list missed 'many widows who passively enjoy their estates and thus are not flagged in documentation or city gossip', as well as 'quite large enterprises occupying minor market niches or based outside central business districts', thereby escaping scrutiny; and 'old families who make a point of staying inconspicuous' (Ries, cited in Gilding 1999: 171).

The outcome is that the wealth held by the more discreet old families tends not to be given equivalent attention. In Gilding's (1999: 172) words:

> The combined effect of methodological dilemmas in defining a unit of analysis and reliability of data is to overstate the wealth vested in individuals, at the expense of kinship and business networks. More specifically, the lists are tilted towards new wealth accumulated by individuals on the cusp of a speculative wave, and against old wealth spread around kinship networks in a variety of investment activities, sheltered in private companies, trusts and nominee holdings (Gilding, 1999: 172).

On the other hand, what gives some degree of confidence in the data is that there is no obvious reason why these factors should vary dramatically from year to year. So there is no cause to expect systematic bias in a time series analysis of the degree of wealth concentration. Certainly, one may reasonably presume that the twenty years of experience BRW has had in researching this issue, since the first 'rich' list' was published in 1983, has produced cumulative expertise.

Moreover, it seems that the rich people being studied are typically cooperative with the BRW investigators. This may indicate a weaker tendency to seek to conceal wealth than is the case for income. Because there are no general wealth taxes in Australia there is less need to have regard to the taxation consequences of having one's wealth publicized. A marked increase in wealth can arise from increases in the values of existing assets as well as income substantially in excess of expenditure. So having it publicly known doesn't necessarily attract the interest of the Australian Taxation Office.

Wealth Distribution: the Broader Picture

Whatever the quality of the BRW data itself, there is one structural difficulty in using it as a measure of the distribution of wealth throughout the society. It tells us only about one end of the distribution. Looking a little further afield, one study, by Merrill Lynch and Cap Gemini Ernst and Young (reported in the *Australian Financial Review* 13.6.2003: 5) notes that a rising property market and the relatively stronger local stock market had increased the number of millionaires in Australia by 5000 over the last year. 105, 000 people were estimated to have wealth of over A$1.51 million (equivalent to US $1 million), up by 5% over the previous year. Those on the BRW rich list comprised only the top 2% of this broader group of wealthy Australians.

More general estimates of the whole distribution have been attempted. The latest BRW includes an article based on Boston Consulting Group figures that suggest 5% of Australian households hold 59% of the country's wealth (Dyer, 2003: 31). A rather more authoritative estimate from the National Centre for Social and Economic Modelling (NATSEM) in Canberra is that the top 10% of the population has 45% of the total wealth and that the top half has 93 percent of the total household wealth (see Harding 2002: 11). Harding's data indicates a relatively high diffusion of superannuation and home equity as the major types of asset ownership across the Australian population. However, share ownership is much more concentrated, with a staggering 86% being held by the wealthiest 10 per cent of families. The same top 10 per cent of the population owns highly concentrated proportions of rental properties, cash deposits and business assets – 62%, 60% and 50% respectively.

A comparison between the distribution of wealth and incomes can further illuminate the general patterns of economic inequality in Australian society. Of course, there is a fundamental difference between wealth and incomes. Because the former is a stock and the latter is a flow, it is possible to be asset-rich but income-poor. However, Harding's analysis of the forms in which wealth is held, as summarized above, indicates a predominance of wealth being held in directly income-earning forms. So it is hardly surprising that the high concentration of wealth is a major element in perpetuating and intensifying the inequality of incomes.

The evidence on income inequality indicates a growing gap during the last decade between the top and the middle of the distribution, as well as between the top and bottom deciles (Harding 2002, Stilwell 2003). This also has important implications for the incidence of poverty to the extent that this is measured relative to the general prevailing standard of living. If the 'poverty line' is set at half the average family income for different household types, for example, about 13% (or one in eight Australians) can be regarded as living in poverty in the year 2000 (Harding, Lloyd and Greenwell 2001). Looked at in these terms, wealth and poverty are two sides of the same coin.

Does it matter? There are predictably divergent views about the pros and cons of socio-economic inequality. Issues of personal incentive, social justice and community cohesion intermingle in such debates. One can hardly expect a clear resolution. But one relevant consideration that is getting increasing attention is the evidence on the connection between socio-economic inequality and personal contentment, as recorded in social surveys. The correlation between material wealth and self-reported happiness in individual societies seems generally very weak (see Saunders 2002: 139-143, and the article by Hamilton earlier in this issue of JAPE). Moreover, it seems that the citizens of societies in which economic inequality is greatest generally report lower levels of personal satisfaction (Layard 2003). This has led a growing number of social scientists, internationally and in Australia, to conclude that the accumulation of wealth accompanied by increased inequality is likely to have no net social benefit, and may indeed have negative effects on the overall happiness of society (Frank 2002, Hamilton 2003).

There are various policy instruments that could be used in the attempt to produce more equitable outcomes, if there were the political will to implement them. An annual wealth tax, higher capital gains tax, and inheritance taxes are among the possibilities. A more broadly-based land tax could be a particularly potent means of creaming off the prodigious wealth captured by landowners as a result of land price inflation in the major cities. Of course any such redistributive measures go against the interest of the principal wealth-holders who could be expected to defend their economically privileged position. Economic assets are a lever which can be used for political purposes. In this context, the BRW data on wealth-holding can be regarded as indicative of class power.

Conclusion

Analysis of the BRW data on the wealthiest Australians provides insights into an important aspect of Australian political economy. The data has limitations as a measure of socio-economic inequality and as a means of understanding processes of wealth accumulation. However, it does reveal the prodigious wealth concentrated in the hands of key individuals and families. Analysis of the 1993-2003 data shows that the degree of 'internal' concentration among the top wealth holders is not increasing, as it was in the preceding decade, but the volume of wealth held by these elite is continuing to increase in both absolute and relative terms. As such, the evidence and processes reviewed here can be regarded as part of what Argy (2003) calls 'Australian egalitarianism under threat.' There never was a golden age of Australian egalitarianism, but the dominant tendency is now towards a yet more blatantly unequal society. This poses a major challenge to those who would wish to reverse that trend.

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