

A growing concentration of wealth

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Just before last Saturday's Australian federal election, a study was released showing an increasing concentration of wealth in the hands of the richest 1 percent of families since 1993. Not surprisingly, the mass media, owned almost exclusively by members of that tiny elite, chose to largely ignore the report. Prepared by Access Economics, the study sheds some light on the historic low votes recorded in the election by both traditional ruling parties--Labor and Liberal.

In July 1993, after 11 years of a Labor Party government led by Bob Hawke and Paul Keating, the wealthiest 50 percent of households owned about 93 percent of the total wealth. No less than 43.5 percent was held by the richest 10 percent and 12.2 percent by the top 1 percent.

By mid-1998, after three further years of Labor rule and two years of Liberal-National Party government under John Howard, the richest 10 percent had increased their total share of wealth by 4.6 percentage points to 48.2 percent.

Even these figures are deceptive. By far the greatest rise occurred within the top 5 percent and, above all, in the richest 1 percent. Due to rising share prices and prestige real estate values, the wealthiest 1 percent increased its share by 2.8 percentage points to 15 percent.

Until mid-1996, just after the Howard government took office, the wealthiest 10 percent as a whole benefitted fabulously. After that, the increase was concentrated within the extremely wealthy 1 percent. In summary, under Labor the richest 10 percent prospered; under Howard the benefits were even more narrowly enjoyed.

By far the greatest contributor to the further concentration of wealth was the 80 percent surge in the All Ordinaries share price index between 1993 and 1998. Contrary to the myth of a 'share-owning democracy,' promoted by both Keating and Howard in

privatising Qantas, the Commonwealth Bank and Telstra and floating them on the stock exchange, share ownership remains heavily dominated by the financial elite.

Each of these sales was presented as a bonanza for small investors, yet the wealthiest 10 percent still hold nine-tenths of the shares directly owned by private investors. Almost two-thirds of these shares are owned by the richest 1 percent. Nearly 40 percent of the population now own shares, either directly or indirectly (largely through superannuation funds). This is double the figure of 1991. But the new small investors have tiny portfolios compared to the fortunes held by the rich, who took the lion's share of the stockmarket boom.

Property ownership exacerbated this trend. Here again, the illusion that Australia's high level of home ownership creates a more egalitarian society is belied by the statistics. The upper half owns over 90 percent of housing wealth. Moreover, the upper end of the housing market soared over the five-year period while the lower end did not. The end result was that the upper middle groups, which have much of their wealth in owner-occupied housing, lost ground to the top 10 percent.

A third factor in the upward redistribution of wealth was the growth of superannuation, particularly since Labor's introduction of compulsory contributions at the expense of wage rises. Between 1993 and 1998 the assets controlled by superannuation funds rose from \$272 billion to \$419 billion--a 50 percent rise. Their share of household wealth rose by some 3.8 percentage points from 20.1 percent to 23.9 percent. Once again, the largest share went to the rich, not the average wage earner, let alone the unemployed and the poor.

A final factor, not mentioned by Access Economics, was the prevalence of million dollar-plus annual salaries and even higher incentive packages for senior

corporate executives, often tied to profit results and the achievement of cost-cutting and job-shedding targets.

The overall picture is revealing. Not only is the gulf between the richest and poorest widening, but the super-wealthy are also prospering at the expense of the middle layers that used to provide the social base for both the Labor and conservative parties. Between 1993 and 1998, the wealth of the poorest 70 percent of society either fell or rose fractionally in real dollar terms. Only the richest 30 percent advanced, with the benefits skewed enormously to the thin layer at the very top.

In terms of share of wealth, the pattern is even more stark. Only the top 10 percent of society increased their share, while every segment of the bottom 90 percent declined. In fact, the biggest percentage losses were among those on the top 50 to 70 percent rungs of the wealth ladder.

At the same time, the contrast between the two poles of society reached obscene proportions. By 1998 the poorest half owned just 5.8 percent of the wealth, whereas the top half owned 94.2 percent. The richest 1 percent had average holdings of \$2.8 million while the bottom 10 percent owed an average of \$6,000.



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