Report reveals, for the first time, extent of wealth inequality in Australia

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A highly significant report, released last year, has made available, for the first time, official data that provides a detailed picture of the true extent of wealth inequality in Australia. Contrary to the long-cultivated myth of Australian egalitarianism, the data points to a widening wealth gap, making it one of the most unequal industrialised countries in the world.

Remarkably, no national census of wealth has been conducted in Australia since 1915—more than 100 years ago. Moreover, in recent years consecutive governments have slashed funding and jobs at the Australian Bureau of Statistics (ABS), curtailing its capacity to present any meaningful socio-economic statistics.

Published last June, *The Wealth of the Nation: Current Data on the Distribution of Wealth in Australia* was quickly buried by the mass media, which was clearly disturbed by the implications of its findings. The report reveals that in recent years the ABS has actually provided the Organisation for Economic Co-operation and Development (OECD) with more detailed wealth distribution statistics than those made available to the public.

In 2015 the OECD began to use the ABS data—in combination with the Melbourne Institute's survey of household income and labour dynamics in Australia (HILDA), and research conducted by academics, such as Thomas Piketty—to compile a picture of the widening social gulf globally, including in Australia.

Utilising these calculations, and extrapolating them to 2016, *The Wealth of the Nation* report concludes that Australia is now most likely the fifth most unequal country of the 17 compared by the OECD Wealth Database in 2015. Australia trails behind the United States (the most unequal), Austria, the Netherlands and Germany.

The report provides previously unpublished breakdowns of the wealth amassed by the richest 1 percent, 5 percent and 10 percent of the population. Depending on how wealth is calculated, the top 1 percent is now estimated to own at least 15 percent, and probably somewhere up to 20 percent, of total household wealth in the country.

Altogether, the richest 10 percent own more than half of Australia's household wealth "and perhaps 55 percent or more," according to the report's authors, academics Frank Stilwell and Christopher Shiel.

At the other social pole, the poorest 40 percent—about 9 million people—own virtually nothing. Between them, they hold less than 3 percent of the wealth. In fact, the poorest 20 percent have a negative balance of minus 0.2 percent. That is, they own nothing, or their personal debts exceed what assets they have.

The authors present this gulf between the richest and poorest as one of two social "fault lines." They identify the other as the gulf between the wealthiest 10 percent and the next 50 percent of the population—i.e., those sitting above the bottom 40 percent.

The statistics indicate that the top 10 percent is increasing its share, primarily at the expense of the 50 percent below it. *The Wealth of the Nation* concludes that the relative share of the lowest 50 percent is "rapidly diminishing," while the poorest 40 percent "are effectively out of the picture."

The report states: "This affluent elite—the Top 10 percent and especially the Top 1 percent—is getting cumulatively richer, not only relative to poor households but also, significantly, in relation to the next 50 percent of households. Two fault lines are widening—between the bottom 40 percent and the rest, and between the Top 10 percent and the 50 percent in the middle."

Interestingly, the authors barely mention another significant divide—that is, between the most affluent 1 percent and the remainder of the top 10 percent. Yet the data they have assembled provides the first full view, drawn from the unpublished ABS data, of the differentiation within the top 10 percent itself.

Whereas those in the top 1 percent own up to 20 percent of the wealth, the following 9 percent control about 33 percent between them. On average, therefore, those in the top 1 percent each enjoy wealth nearly six times greater than those in the next 9 percent.

In other words, the richest 10 percent live in a totally different world—in terms of wealth, property and privilege—than the vast majority of the Australian population. But the highest 1 percent have fortunes and lifestyles of which most of the rest of the top 10 percent can only dream.

Within the top 10 percent, there are considerable differences in wealth. The top 5 percent are estimated to own 35 to 40 percent of the national total, leaving about 15 percent in the hands of the next 5 percent. On average, this means that those in the top 5 percent have more than double the fortunes of those in the next 5 percent.

Up until now, official data published by the ABS has provided a limited idea of the gathering pace of social polarisation. Since 1994–95, the ABS has published a Survey of Income and Housing (SIH), which includes estimates of wealth distribution. Initially, it was conducted annually, but from 2003–04, only every two years.

The main limitation with the SIH is that it presents its analysis only by quintiles (fifths) of the population. That means it does not disclose the major shifts in wealth accumulation taking place *within* the quintiles, especially within the top 10 percent.

According to the latest SIH survey, in 2013–14, the top quintile (20 percent) of households owned 62.1 percent of the wealth, some $4,400 billion of $7,100 billion. This was a 1.3-percentage point increase compared to the 60.8 percent recorded in the 2011–12 survey.

Based on these trends, and the *Australian Financial Review* Rich List, there would almost certainly have been a further similar increase in the share controlled by the wealthy elite by 2015–16. The 2016 Rich List estimated that the combined wealth of the top 200 individuals reached a record $197.3 billion last year, up sharply from $176.8 billion in 2013, and treble the 1999 figure.

Information on income, as opposed to wealth, inequality in Australia has also been sparse. This makes the data that has been made public by *The Wealth of the Nation* report doubly important. Inequality of wealth—net assets minus liabilities—includes houses, other real estate, shares and financial holdings. This is a more accurate measure than income inequality of the class divide that has been widening since the 1970s.

Unequal wealth represents the cumulative result of decades of income inequality. It also delivers economic, political and social power to those who control it, via financial markets and forces of production. Moreover, such control drives further inequality. In the words of the report: "It is the presence or absence of this accumulated wealth that determines people's social position and their opportunities in life. It impacts significantly on the start that their children have, causing cumulative social inequalities over time. 'Who owns what' shapes 'who gets what.'"

In order to make relevant international comparisons, *The Wealth of the Nation* excluded superannuation balances and household durables, such as furniture and motor vehicles. Other studies have indicated that superannuation makes little difference to the wealth distribution, while excluding durables provides a better picture of the actual financial resources that households have available for ready deployment, rather than for the purposes of day-to-day living.

The following graph from the report shows the distribution of wealth inequality in Australia in 2013–14:

As already noted, these disparities would have grown by 2015–16, hence producing the report's conclusion that the share held by the richest 1 percent is now probably around 20 percent. The report and its methodology can be obtained here.

Stilwell and Shiel comment that this picture remains a conservative one. The main reason is that the rich have a proven track record of camouflaging their assets, especially for taxation evasion purposes. Since last year's publication of the "Panama Papers," it has been estimated that, worldwide, about $US7,600 billion resides in tax havens, more than the official value of Australia's entire household wealth.

Beyond the data reviewed in *The Wealth of the Nation*, there is also known to be a further stratification within the top 1 percent. A report published in 2015 by Australia21, in partnership with The Australia Institute and the Australian National University, estimated that, in recent decades, the income share of the top 1 percent has doubled, while the wealth share of the top 0.001 percent has more than tripled.

Such statistics produce only a pale view of the class polarisation that has developed as the fortunes of the corporate and financial elites soar, while factories, mines and construction sites shut down, and workers suffer layoffs and losses of pay, conditions and welfare support. Several reports have shown that poverty is increasing in Australia, together with the resulting health problems, rising imprisonment rates, and a litany of other social ills.

Significantly, the organisation that published *The Wealth of the Nation*, the Labor Party-aligned Evatt Foundation, virtually buried it in tandem with the mass media. It is not hard to see why. The statistics show that inequality worsened under the last Labor government, which lost office in 2013, thoroughly exposing the pernicious claim that Labor represents a "lesser evil" to the Liberal-National coalition.