9

The Rich

To comprehend and explain poverty is also to comprehend and explain riches. One of the major purposes of sociologists is to describe systems of stratification in different societies and explain how those systems arose, what keeps them in being and whether they are an inevitable and necessary feature of society. Through the seizure and differential inheritance or acquisition of land or wealth and political power; through the ownership, or lack of ownership, of the means of production; through the division of labour in economic and social life; and through the development of selective welfare systems as well as the restriction of the surplus benefits of production dominant groups emerge. The composition of these dominant groups varies from one society to another. In some societies, royal families rule through succession; in others, priests or military elites exercise autocratic rule, even if on behalf of an economic class; in still others, the most dominant groups are landowners, merchants or industrialists. In most instances these groups own, or control, disproportionately large, and sometimes huge, personal resources. In many societies, power may be difficult to describe with any precision, partly because it may appear to be shared between separate if related groups and partly because it may appear to depend as much upon the attitudes taken by people towards wealth or positions held in that society as upon any independently measurable characteristic of such wealth or position. None the less, power stems from wealth, and wealth usually from power and our understanding of poverty can only be deepened by any attempt to delineate wealth and its ownership.

Even to adopt the term ‘the rich’ as a category of social analysis is significant. It suggests that the elucidation of economic and financial factors is fundamental to the explanation of the power and position of those in the upmost stratum of society, and that access to and control over economic resources is the central theme of any account of stratification. But the term is used ambiguously, and our purpose will be to demonstrate some of the consequences of adopting alternative definitions and then to examine the sources of wealth since these will also indicate the sources of poverty.

Concepts and Definitions of Riches

Categorizing the rich depends on having regard to income or wealth or both income and wealth, composition of the household or income unit, and length of tenure of such income or wealth. The distribution of wealth is conventionally supposed to refer to the distribution of the ownership of physical and financial assets, and the distribution of income to the receipts accruing from the ownership of assets as well as earnings and social security benefits and allowances. The trouble is that assumptions are made both about the scope of income and wealth as well as the *use* to which they are put. Cash may be put under the mattress or income heavily mortgaged to pay for debts. The ownership of a house means that a substantial part of income is not paid in rent and so, if there is no mortgage, is released for other forms of consumption. Wealth and income cannot easily be distinguished and the 'confusion' sometimes attributed to classical writers like Adam Smith who tended to treat the terms synonymously may have been meritorious.

The lack of clarity can be traced first of all to poor information, not all of which is undeliberate. The information is poor because it is issued by agencies with specific and rather limited responsibilities. And such limitation is attributable to the separation of public and private sectors of economic, social and political administration; to the isolation, within each sector, of particular groups of departments, corporations and financial institutions; and, at least in part, to British values denying trespass of private property and invasion of privacy. Neither the Inland Revenue's Survey of Personal Incomes nor the Family Expenditure Survey 'is conducted specifically to collect comprehensive information on the distribution of personal income, and it is understandable therefore that they are in some respects inadequate for the purpose'.[1] The former omits incomes below the effective tax-exemption limit - the level at which a single person starts to pay tax if his income is wholly earned. It sometimes separates and sometimes combines the incomes of married couples. It excludes mortgage interest, and the imputed rental value of owner-occupied housing, thus underestimating the share of income going to the top half of the distribution. It understates investment income, fringe benefits from employers and some other forms of income. These are among the commonly agreed weaknesses.[2] The Family Expenditure Survey, on the other hand, while including low incomes, may, because of the problems of non-response, understate certain types of income, as we have found.[3] Because of the nature of the survey, it probably fails adequately to represent forms of income received once or occasionally during the year. The Department of Employment admits that self-employment and investment income are understated.

[1] Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, July 1975, p. 34.

[2] ibid., p. 40.

[3] See Chapter 5 above, pages 183 and 193.

The statistics on the distribution of wealth are open to greater criticisms.[1] To illustrate this, the methods on which they are based may be summarized. First is the *estate duty method* - used by the Inland Revenue for official statistics of distribution from 1960. Estimates of the wealth owned by different proportions of the population are based on information about estate duty paid to the Inland Revenue after death. The value of estates of people dying at certain ages is multiplied by the reciprocal of the mortality rates for those ages. Among the chief drawbacks to this method are (a) duty is not paid on estates of low value; (b) certain kinds of wealth, like pension rights and annuities, are excluded from wealth statistics based on estate duty; (c) valuation of estates at their *market* value understates the *real* value of, for example, company shares; and (d) because wealth can be transmitted before death, the real values held by a cross-section of the population at any particular moment of time are not adequately represented in the estimates. Some social scientists have taken great trouble to try to improve and adjust these figures.[2]

Second is the *investment income method.* This takes figures of investment income and multiplies them according to the rate of income presumed to obtain from the asset.[3] If a 10 per cent rate of income were to be assumed in a particular case, then the value of that asset would be the income multiplied ten times. The advantages of this approach are that, unlike the estate duty method, it can be applied to tax units rather than individuals and, potentially, can be linked with data about incomes. The trouble is that some forms of asset carry no income in the form of cash, others attract capital gains rather than recurrent income, and there is too little information about the ‘portfolios’ of people at different levels of wealth to estimate accurately what aggregate value of assets corresponds with their investment income.

Third is the *sample survey method,* as illustrated by the poverty survey and by a national sample survey of wealth carried out in 1953-4 by the Oxford Institute of Statistics,[4] through interviews with households chosen at random throughout the country. Perhaps the only other national sample survey carried out since the war was the Economists Advisory Group business research study in 1974.[5] Information can

[1] For a clear exposition, see Atkinson, A. B., *The Economics of Inequality,* Clarendon Press, Oxford, 1975, esp. Chapter 7.

[2] Revell, J., Changes in the Social Distribution of Property in Britain During the Twentieth Century’, *Actes du Troisième Congrès International d’Histoire Économique,* 1965, pp. 367- 84 ; Meade, J. E., *Efficiency, Equality and the Ownership of Property,* Allen & Unwin, London, 1964 (also quoting figures produced by J. Revell); Atkinson, A. B., *Unequal Shares: Wealth in Britain,* Allen Lane, London, 1972; and Atkinson, A. B., and Harrison, A. J., *Distribution of Personal Wealth in Britain,* Cambridge University Press, 1978.

[3] Atkinson, A. B., and Harrison, A. J., ‘Wealth Distribution and Investment Income in Britain’, *Review of Income and Wealth,* June 1974.

[4] Lydall, H. F., *British Incomes and Savings,* Blackwell, Oxford, 1955.

[5] Morgan, E. V., *Personal Savings and Wealth in Britain,* an EA G Business Research Study,

be collected on individual, income unit and household or family bases, and can be linked to income. The trouble is that the distortions introduced by non-response and doubtful accuracy of information from households with complex holdings of wealth are difficult to control. A fairly elaborate questionnaire is in any event required. Because of the disadvantages of the other two methods, the Royal Commission on the Distribution of Income and Wealth did acknowledge the value of the sample survey approach at least as a supplement to them.[1] Ideally, information from rich households might be checked, providing permission is granted, with Inland Revenue data.

A brief outline of these methods shows how tricky it is to decide (a) the social unit owning, commanding or using the resources; (b) the items which are included in total resources; (c) the criteria by which different items are turned into common units of value so that they can be added together and households, families or income units ranked one above another; and (d) the length of time during which resources are received or commanded. If the resources of the rich are held disproportionately by the extended family, and can be drawn upon through trusts and settlements at later stages of life, are depersonalized in part through the company share system, are spread among a large number of resource systems, and have artificially low current market value, then the significance of restricted definitions of riches becomes clear. By restricting the size of the social unit, the range of items to be counted, the currency of convertibility and the time in which measurement is to take place, inequality is understated.

The Royal Commission upheld the principle, for example, that wealth should be defined in terms of ‘marketability’. It also upheld the distinction conventionally made between income and wealth. Yet, as argued in Chapter 5 above,[2] the commission did not discuss the extent to which inequality might as a consequence be understated and society fail to keep track of changes in living standards. As Atkinson has shown, a distinction has to be made between ‘realization’ value of assets on the market, and ‘going concern’ value. Furniture, for example, could be valued according to the amount a dealer might pay for it second hand, or at its cost to replace. ‘The difference between the two approaches is that the value as a going concern is likely in many cases to be higher than the realization value: for example, shares in a family business may be worth much more than the price obtainable on the market.’[3]

In this chapter, through illustrations from the poverty survey, I shall show why links between income and wealth in official statistics are desirable, and how the rich might be more clearly defined.

Financial Times, London, 1975.

[1] Royal Commission on the Distribution of Income and Wealth, *Initial Report on the Standing Reference*, pp. 74-8.

[2] See pages 230-32.

[3] Atkinson, The Economics of Inequality, p. 122.

Top Incomes and Top Wealth-holdings

An outline of the components of *net disposable income last year,* and of *assets* as defined in the survey, has been given above.[1] Despite some differences in definition and method, we found a close correspondence in income distribution with results from the government's Family Expenditure Survey. The top incomes were, for most types of household, at least twice, in some instances more than three times, as large as those of the 5th percentile. The top incomes for most types of household were more than five times as large as the median incomes, and more than ten times as large as the lowest incomes. Even if the top incomes are ignored, incomes at about the 5th percentile were still two or three times larger than the median (see Table 5.11, page 197 above). Table 9.1 shows how the distribution of net disposable income for different quantile groups compares with government estimates. Although the latter are stated to be on a tax unit basis, they are not very different from the distributions (for ten percentile groups) expressed on a household basis.[2] I have chosen to set out the government figures on a tax unit rather than a household basis only because the latter do not appear to be available for the top 1 per cent and next 4 per cent. It should be borne in mind that distributions presented on a tax unit instead of a household basis tend to be more unequal than those presented on a household basis. The top 1 per cent of households were estimated in the poverty survey to receive a rather higher proportion of aggregate income than estimated officially. The top 1 per cent received 6.2 per cent of income after tax and after allowing for work expenses and travel to work. If employer fringe benefits were to be added to income, the proportion received by the top 1 per cent would be slightly higher still. It can be seen that the next 4 per cent received nearly 10 per cent of net disposable income, and the next 5 per cent as much as 9.4 per cent. The bottom 80 per cent received 59 per cent, or a little less than estimated by the Central Statistical Office (both on a tax unit and a household basis). Finally, the bottom 5 per cent received only 1 per cent of income.

Assets were more unequally distributed than income. Two households had more than £200,000 and five others (including three giving incomplete information) more than £100,000. But the median household had only £1,065, and at the 85th percentile only £8 (Table 5.18, page 209 above). As a proportion of top wealth-holdings, the wealth of households only a little below the top was modest. Thus the households at the 5th percentile held only 6 per cent of the assets of the wealthiest household. Table 9.1 sets out the distribution in the same form as for income. The unadjusted figures are derived from those households in the sample giving full information about assets. The unadjusted information is discussed and analysed in

[1] See Chapter 5, pages 180-93 and 199-205.

[2] Compare Table 15 with Table G.13 in Royal Commission on the Distribution of Income and Wealth, *Initial Report on the Standing Reference,* pp. 45 and 213.

Table 9.1. *Percentage shares of income and wealth received or held by quantile groups of households or tax units, comparing government estimates with the poverty survey.*

	Poverty survey			*Official estimates*		
		Net assets of households		*Net income of tax unit*[b]	*Personal wealth*[c]	
Quantile group	*Net disposable income last year of households*	*un-adjusted*	*adjusted*[a]	*1967*	*1972-3*	*1972*
Top 1%	6.2	24.3	(26)	4.9	4.4	28.1
2-5%	10.0	20.5	(25)	9.9	9.8	25.8
6-10%	9.4	13.9	(13)	9.5	9.4	13.4
11-20%	15.0	17.2	(15)	15.2	15.8	15.1
21-100%	59.4	24.2	(21)	60.5	60.7	17.6

NOTES: [a]Adjusting first for underrepresentation of those with high incomes also giving data on assets, and second for understatement of assets, especially stocks and shares, but also certain types of savings. (See Table 5.15, page 203 above). The value of occupational pension rights is not included here (but is included in employer welfare benefits described in Chapter 5 and later in this chapter). In adjusting Inland Revenue aggregates to balance-sheet totals, we have broadly followed the methods adopted first for the UK in 1969 by Revell, J., and Tomkins, C., *Personal Wealth and Finance in Wales*, Welsh Council, 1974, and second by the Royal Commission (Appendix K).
[b]No figures available from the Central Statistical Office for 1968-9.
[c]Estate duty figures adjusted by Royal Commission to conform with balance-sheet asset totals between-included and excluded populations, assuming that 42 per cent of the increase is allocated to the population excluded from liability to estate duty.

SOURCE: Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference,* Cmnd 6171, HMSO, London, July 1975, pp. 45 and 87.

various parts of this book. In the table, alternative estimates are also shown. The data have been adjusted in two respects: first, to allow for the fact that, in the responding sample, slightly more people with high than low incomes did not provide full information about assets (sometimes being one tax unit in a household with two or more units in which the other units had provided full information); and secondly, to carry out the same kind of exercise as first Professor Atkinson and then the Royal Commission on the Distribution of Income and Wealth did to allocate any difference between balance-sheet totals and totals compiled by multiplying sample survey data.

Even without any adjustment, inequality is evidently marked. The top 5 per cent owned 44.8 per cent of *net* assets, and the bottom 80 per cent only 24.2 per cent. With adjustment, the top 5 per cent owned 51 per cent or over half of net assets, and the bottom 80 per cent 21 per cent. It is hazardous to compare these distributions with government estimates. In the table I have given one illustrative set from the Royal Commission's adjusted estimates for 1972. Adjustments were not made in respect of the 1960s, and Inland Revenue data suggest that though there may have been a small decline in the holding of the top 1 per cent between 1968 and 1972, the change among other ranks was very small indeed. Moreover, the figures are stated to be for the total population aged 18 and over (though whether units are, in practice, a mixture of individuals, tax units and households remains at issue), while the poverty survey data apply to households. Again, as discussed above, valuation of the wealth holdings of the wealthiest may be understated by taking market values. Deduction of debts and measurement of *net* assets may also contribute to understatement of the command over resources of the rich, since substantial credit can sometimes buttress extravagant living standards for lengthy periods.

With such qualifications, the survey data can be said to furnish empirical substantiation of the vast disparities in wealth-holding suggested both by official and independent estimates. Far from the wealth of the top 5 per cent being overstated because of the failure in official estimates to take account of the value of modest holdings of assets, it may have been understated in certain critical respects. Despite taking a deliberately broad definition of wealth, the top 5 per cent own over half of the nation's wealth - even including owner-occupied housing and personal possessions. This is a major finding. The bottom 5 per cent own little or nothing.

Table 9.2 illustrates the effect on the distribution of adding different types of resource. Each component is discussed in Chapter 5 above. Information of a detailed nature could not be obtained on every type of resource from all households in the sample, and the table sets out unadjusted figures only for those giving complete information on assets. This means that the percentages held by the top groups are slightly understated. The value of both public social services and private services in kind have been included, as has the value of standard types of consumer durables and home-grown food. These items are commonly believed to be more equally distributed than either wealth or income, and even, for example, public and private welfare services, of disproportionate value to the poor. The table shows that, despite their inclusion, they do no more than moderate to a small extent the inequality in the dispersion. In discussions of the distribution of income or wealth, it is common to use a summary measure of concentration. The most popular measure is the Gini coefficient. The results of applying it to our data are shown at the foot of Table 9.2.[1]

[1] The limitations of the measure are now recognized. See, for example, Atkinson, *The Economics of Inequality*, pp. 45-9.

Table 9.2. *Absolute mean amount in pounds and percentage share of income and other resources received or held by quantile groups of households.*

Quantile	*Non-asset income*	*and annuitized value of assets*	*and employer fringe benefits*	*and value of social services in kind*	*and private income in kind*
Top 1 %	6,053	11,246	11,517	12,062	12,331
2-5 %	2,714	3,937	4,217	4,837	5,012
6-10%	2,103	2,710	2,888	3,434	3,550
11-20%	1,706	2,085	2,184	2,643	2,756
21-30%	1,421	1,683	1,752	2,137	2,233
31-40%	1,216	1,436	1,497	1,778	1,904
41-50 %	1,058	1,221	1,262	1,521	1,626
51-60%	909	1,064	1,091	1,290	1,393
61-70%	760	898	925	1,071	1,180
71-80%	578	730	746	851	951
81-90%	387	511	519	611	691
91-95 %	287	356	359	405	480
96-100%	184	253	254	282	323
			Percentage shares		
Top 1%	5.4	8.5	8.3	7.4	6.7
2-5%	10.1	11.1	11.4	11.3	11.1
6-10%	9.4	9.7	9.8	9.9	9.7
11-20%	15.5	14.9	15.1	15.3	15.1
21-30%	12.9	12.0	12.0	12.6	12.3
31-40%	11.0	10.1	10.1	10.1	10.5
41-50%	9.6	8.8	8.6	8.8	9.0
51-60%	8.4	7.5	7.5	7.5	7.6
61-70%	6.8	6.4	6.3	6.1	6.5
71-80%	5.3	5.1	5.1	5.0	5.1
81-90%	3.5	3.7	3.6	3.6	3.8
91-95%	1.3	1.2	1.2	1.2	1.3
96-100%	0.8	0.9	0.9	0.8	0.9
Total	100	100	100	100	100
Gini coefficient	0.34	0.37	0.37	0.37	0.36

NOTE: Households giving information on income but not assets have been excluded. An imputed rental income for owner-occupied homes has been included (see page 347).

Other components could be added to our definition of resources. For example, we included occupational pension rights but not state pension rights, on grounds that for many of those expecting substantial occupational pensions, the pension rights were treated as a form of deferred pay (often to escape tax), could sometimes be converted into a lump sum upon change of job (or during receipt of pension), frequently incorporated a lump sum upon retirement, could sometimes be used to obtain credit, and were not available to a very substantial section of the population. In these respects, they differ from state pension rights, and it is surprising that these differences attracted no commentary from the Royal Commission. The commission believed that both sets of accrued rights needed to be estimated and the effects of their inclusion in the distribution of wealth assessed, even though they 'differ in certain important respects from the more conventional forms of wealth'.[1] They took the implicit view that state pension rights should be treated in the same way as occupational pension rights. There are two objections. The Royal Commission use a 'going concern' rather than 'realization' base, and their method of valuing those rights is also not very realistic. They suggest, for example, that the total value of the accrued rights of the flat-rate retirement pension to a woman of 55-9 was £8,577 in 1975.[2] This would be news indeed to middle-aged working-class women. Unlike women with £8,577 of jewellery or savings or stocks and shares, they have no means of capitalizing on this 'asset'.

Combining Income and Wealth

Although there is an expected correlation between incomes and assets, households with the highest incomes were by no means always the households with the largest wealth. Table 9.3 shows that only just over a third of persons in households in the top 5 per cent of incomes were also in the top 5 per cent of assets; moreover, that two fifths in the top 5 per cent of assets were not even in the top 20 per cent of incomes. Nearly a quarter of persons in households in the top 5 per cent of incomes did not fall into the top 20 per cent of assets.

The households in the top 5 per cent of assets had at least £13,102, in the top 15 per cent £6,450, and in the top 25 per cent £4,200. The households in the top 5 per cent of incomes had at least £2,598 in the last year, in the top 15 per cent £1,795, and in the top 25 per cent £1,502.

When we come to consider the size and characteristics of households, we find that each of these distributions can be misleading. Thus, among top incomes there may be households containing, say, three or more persons with modest earnings who, because their net earnings are aggregated, are then categorized as rich. Among bottom incomes may be retired couples with modest state and occupational pensions

[1] Royal Commission on the Distribution of Income and Wealth, *Initial Report on the Standing Reference*, p. 88.

[2] ibid., p. 92.

who own homes of substantial size and high value of stocks and shares and other assets. Their low incomes would not be at all indicative of their lifetime or current standard of living (though their incomes, *together* with the income equivalent to their holdings of assets, would be so indicative). Again, among bottom assets may be young couples from rich families just setting up home who have lived their childhood in affluent households and have expectations of wealth being passed on to them as well as positions in family firms and business, or in the professions, which normally carry high expectations of wealth accumulation.

Table 9.3. *Percentages of persons in households in ranked categories of net disposable income in previous year and net assets.*

	Households ranked by net disposable income				
Assets	*Top 5%*	*6-10%*	*11-20%*	*Bottom 80%*	*All ranks*
Top 5 %	2 0	0.6	0.6	1.9	5.1
6-10%	0.9	0.8	1.2	1.9	4.8
11-20%	1.2	1.6	1.4	7.0	11.2
Bottom 80 %	1.4	4.0	9.2	64.3	78.9
All ranks	5.5	7.0	12.4	75.1	100.0

The survey provided illustrations of these divergencies. There were, in fact, two individuals in the lowest 5 per cent of net disposable incomes who were included in the top 5 per cent of assets. One per cent of the entire sample could be found among the bottom 5 per cent of net disposable incomes *and* among the top 60 per cent of assets. There were, however, few examples of a reverse kind. There were three, but only three, households among the top 5 per cent of net disposable incomes who were also among the bottom 40 per cent of assets. Seventy-four per cent of those among the top 5 per cent of incomes were among the top 30 per cent of assets (and 36 per cent among the top 10 per cent).

Taken separately, then, neither of the conventional measures is satisfactory for purposes of showing inequality in standards of living. At least two refinements are necessary. One is to take account of household size and composition. We contemplated a choice between two options. We had developed a measure of the different resources of the household expressed as percentages of the mean for its type. We had also developed measures expressed as a percentage of the state's poverty standard. The disadvantage of the latter was that the incomes of different types of household which were to be treated as equivalent depended on conventions established by the government, and not by independent criteria. This disadvantage also applied to the *level* of the state's poverty standard for every type of household. The disadvantage of the former was that diverse sub-types of household tended to be lumped together. This applied in part also to variations of age: for example, in the case of couples with one child the child might be an infant of a few weeks or a girl of 14. Another disadvantage was that inequalities *between* household types were ignored and the means were assumed to represent the same standard of living. Either approach would represent an improvement on conventional methods, and after experimenting with each we decided to adopt the latter.

The other necessary refinement is to combine income and wealth in one measure. The method adopted is discussed in Chapter 5 (pages 210-15). Alternatives might, of course, be proposed and developed, but it is evident that any method requires careful handling, so that the different uses made of different types of income and wealth, together with attitudes taken publicly towards these types, are called to attention when the results are described and analysed.

A Definition of the Rich

Accordingly, to non-asset income of households in the previous year was added the annuity value of their assets. Some types of asset do not augment living standards in the same way or to the same extent as others, and in choosing a rate of interest of 7 per cent and applying it to all types of asset, we were aware that we might be criticized both for underrepresenting and overrepresenting the value of assets to living standards. The rate of 7 per cent was a conservative choice. The rich tend to obtain relatively high and the poor relatively poor rates of return on their loans or investments. Some forms of capital appreciate rapidly. A complex formula would be difficult to justify, and a single rate simpler to comprehend. The rate is marginally above the rate of interest paid in 1968 by building societies, but below other rates, including returns on stocks and shares, and in relation to the capital gains element in inflation represents in practice a low rate. Thus a wholly-owned house valued at £3,000 in 1968-9 would be treated as equivalent to paying a rent of £210 a year, or £4 a week. For young or middle-aged owner-occupiers, the corresponding annuity value remained small, though for elderly people with only a short expectation of life, it could be much larger. We therefore calculated annuity values of all assets on two bases, one including the annuity value of owner-occupied housing and the other including only the imputed interest on the capital value of such housing. Except when noted, the former measure has been adopted in this book. In comparing households at different points in the dispersion of resources, however, we have preferred the latter measure. While understating the value of owner-occupied homes, some may feel it does not misplace some elderly households in the rankings.

The resulting annual 'income' was then expressed as a percentage of the state's poverty standard - the basic supplementary benefit rates plus housing cost. The percentage shares of total relative income net worth, or 'asset-linked income' as it

Table 9.4. *Asset-linked income (or income net worth) expressed as a percentage of the state's poverty standard, and percentage share of quantile groups of households.*

Quantile group	*Mean% of each group*	*Percentage share of the aggregate supplementary benefit equivalent of asset-linked income of all households in the sample*	
Top 1 %	1,664	7.5	
2-5 %	696	11.1	27.5
6-10%	440	8.9	
11-20%	334	13.4	
21-30 %	280	11.3	
31-40 %	245	9.9	
41-50%	217	8.8	
51-60 %	191	7.6	
61-70 %	168	6.7	
71-80 %	146	5.8	
81-90%	125	5.1	
91-95 %	109	2.2	3.8
96-100%	84	1.6	
Total	248	100	

NOTE: The imputed interest (assumed to be a rate of 7 per cent p.a.) on the capital value of owner-occupied housing and not the annuitized value of this asset has been included.

might be called, of different quantile groups are shown in Table 9.4.[1] All of the top 1 per cent had asset-linked income of more than 1,000 per cent of the poverty standard: their mean was 1,664 per cent. The mean of the bottom 5 per cent was 84 per cent, compared with the overall mean of 248 per cent. The income net worth of each quantile group, so standardized for household composition, can also be expressed as a percentage of the aggregate. This aggregate is the value not just in pounds of income and annuitized income combined, but that value expressed for each income unit as a percentage of the state's poverty or subsistence standard for such a unit. The top 10 per cent, in fact, had 27.5 per cent, and the bottom 10 per cent only 3.8 per cent of the aggregate. This gives a ratio of nearly seven to one. The ratio between the top 5 per cent and bottom 5 per cent was twelve to one. The

[1] Table A.22 in Appendix Eight, page 1010, sets out the absolute mean values of income, assets and income net worth held by different quantile groups, when the groups are ranked according to each of these criteria, but also when they are ranked according to the 'poverty criterion' of net income worth expressed as a percentage of supplementary benefit.

ranking which we adopted had the advantage of corresponding closely with rankings according to each of net disposable household income and net assets, after allowing for household size and composition and was also reasonably all-inclusive of resources. A comparative summary will be found in Table A.22 (Appendix Eight, page 1010).

When households are more carefully ranked according to these criteria, households who are not popularly counted as 'rich' are included among the rich. The number of members of a household, and especially of dependants, can be crucial in affecting the ranking. Thus, a pensioner living alone with assets regarded by many as of only moderate dimensions might easily be found in the top 5 per cent. Again, the same might be true of a household of three people (say a couple in their early forties and an unmarried son in his early twenties) with very little wealth but each of them being in full-time employment, earning a good wage or salary. The combined income, the relatively low housing costs per person and the absence of dependants, can combine to place them in the top 5 per cent. The fact that this relative affluence may not represent previous or future years must also be remembered. The value of household assets is a more stable indicator of riches *over the life-cycle as a whole* than either current annual income or even income net worth adjusted for household composition.

Who were the richest 1 per cent? I have listed the top sixteen households. They comprised fifty-four people, fifteen being under 15, eleven being 15-39, fifteen being 40 to 59, and thirteen being 60 years of age or older. All were born in the United Kingdom. Only nine of the fifty-four had any trace of disablement. All but one of the households owned the homes in which they lived, and all had gardens, more than two thirds of them large gardens. The great majority entertained friends and/or relatives frequently in their homes, and also were guests of others. Most were living in the South-East, Midlands, Scotland and East Anglia. None lived in the North, the North-West or Northern Ireland. Nearly all adults had been educated to above the minimum school-leaving age. Most employed adults were of a professional status, and they included a bank manager, a chartered accountant, a doctor and teachers. A third of the gainfully occupied were self-employed. None of the householders was of manual status, but three young adults in the household had jobs of manual status. None counted themselves as belonging to the upper class. Ten adults said they belonged to the upper middle class, and most others said middle or lower middle class. But as many as six adults said they belonged to the upper working class and one to the working class. More than half the households owned property and businesses and nearly half had stocks and shares. A few had bank overdrafts and several were using cars owned by their firms. Inheritance seemed to have played a considerable part in explaining the assets held, and it was of some note that all except one couple saw relatives frequently and often stayed with them and vice versa.

The richest households in the sample (all except No. 12 owner-occupiers)

1. Woman of 77, retired teacher, income net worth £13,032 (assets include shares of £67,315 and twenty properties, producing a rental income of a little under £1,000 per annum).
2. Couple aged 62 and 60, professional class, retired bank manager, income net worth £18,042. Total assets of just under £100,000.
3. Couple each aged 53 with 19-year-old son and 14-year-old daughter, lower supervisory class, income net worth £20,607. (Assets £204,920.)
4. Man of 67 with wife of 36 and son and daughter aged 17 and 15, a farmer, income net worth £15,042. (Assets £109,269.)
5. Couple aged 57 and 55, professional class, income net worth £10,737 (stocks and shares of £20,000 included in assets of £70,000).
6. Elderly couple aged 83 and 66 living with resident maid. Stocks and shares amount to £60,000, and the house, other houses and savings are valued at £30,000 at least. In addition to unearned income of over £3,000, he has an army pension. (Total assets at least £90,000, but probably substantially more than £100,000.)
7. Couple in their early forties with five children ranging in age from 17 to 8. They live in a big farmhouse in 200 acres of land, and he is a company director owning a string of shops. Assets are considerably in excess of £100,000, and include valuable paintings and antiques.
8. Couple in their mid seventies with house and fourteen acres of land with an unearned income of £3,000 from ownership of butcher’s business, estimated to be worth more than £20,000. Savings and other property amount to another £20,000.
9. Couple each aged 48 with six children aged from 22 to a few months, a farmer and also company director, three in family earning, income net worth £19,606. (Assets amount altogether to £212,514.)
10. Couple in early forties with child of 7, managing director of a building firm, which the husband owns and which is valued at £40,000, producing an income for him of £8,000. He also receives rents from other properties which are owned. (Total assets of at least £70,000.)
11. Woman of 77, professional class, income net worth £4,504. (Stocks and shares £4,500 in assets of £26,000.)
12. Couple aged 37 and 34, with four children aged from 7 to 2, professional class, fishing-boat owner and captain, income net worth of £10,735, privately unfurnished tenants.
13. Couple aged 80 and 68, he a former chartered accountant, owning and renting flats and houses, many valuable antiques and books, income net worth of £9,800.
14. Couple aged 53 and 51 with daughters aged 19 and 13. Managing director of clothing firm owning large house and large amount of land. (Total assets of at

least £120,000.)

15. Couple aged 65 and 45 with sons of 28 and 10, dairy farmers, owning several cottages, income net worth of £11,000. (Assets at least £65,000.)
16. Couple aged 61 and 58, a farmer with a net income of £2,000 from a farm worth £26,000 which he owns (but which his son now manages). With property owned by his wife and savings, stocks and shares, their joint assets amount to at least £60,000.

The following illustrations are drawn from the wealthiest sixty households (representing rather more than the highest-ranking 3 per cent) and are arranged in order of age. At late 1970s prices, all values would be trebled.

1. After their marriage a few months previously, Mr and Mrs Pollenghast, aged 29 and 21, had moved into a five-bedroomed house in Surrey, which he estimates to be worth £13,500. He is a company director of a horticultural and agricultural machinery firm, and presently his wife is working for a private library. The firm belongs to his father and his shares are estimated to be worth £55,000. They said they had received gifts at their wedding worth over £2,000, and that in the house they had other saleable items such as guns, cutlery and jewellery worth £1,750. He has other land worth £2,500, and has £500 in a bank deposit account. He has four policies on his life, which are estimated to value £25,000. Both have cars, she a Mini and he a Ford Zephyr Estate. He draws a salary of nearly £4,000 per annum, and received £200 from a trust fund. Her salary is nearly £600. His overdraft (after the recent wedding and move into the house) is £3,000, and he also has a private debt of £500. They have daily contacts with his family and entertain and visit these and other relatives. Mr Pollenghast describes poverty as ‘idleness, and also people living in bad conditions and unable to make ends meet’. He felt that poverty was due mainly to ‘a lack of initiative in people’, and said that the answer was to ‘make people work harder, and raise the whole social level of the country in general’.
Ranked 52

2. Mr MacFraser, 32, has lived in a luxury flat in Scotland since leaving his parents’ home two years previously. The flat, worth an estimated £5,500, faces south across extensive private gardens, a stone’s-throw from his parents’ house and a flat occupied by a brother. He is a chartered accountant, with a law degree, and has a salary of £3,500. He owns £10,000 in stocks and shares, £1,500 in savings and his life is assured for over £6,000. Recently he borrowed £710 from his bank to pay for a new car. He had an inheritance of £350 in the last year, and the possessions in his flat include antiques worth several hundred pounds. His parents paid £500 for some of his furniture and a dishwasher. He says he is upper middle class. His father is a hospital consultant. He belongs to an exclusive golf club, which provides his chief pastime at weekends. He took a four weeks’ cruise in the Mediterranean last year, and also had a holiday in Ireland. He goes to a gaming club occasionally, and has

won several large sums in the previous year.
Ranked 59

3. Mr and Mrs Margood, both aged 35, live with two daughters and two sons aged from 3 to 11 near a small town in Kent. The house has eight bedrooms, is in several acres of ground, and is estimated to be worth nearly £30,000. His father had been a highly skilled manual worker and he met his wife at university. Both took degrees in economics. Her father was a barrister. She taught for a time in a private school. He is now an economist in an insurance company, earning £3,500 per annum. This attracts holiday entitlement of six weeks a year in addition to bank holidays and a pension at 60 of two thirds final earnings. Through the company he pays a lower rate of interest on his house (3.5 per cent). He and his wife have £6,000 in a bank deposit account. He has shares worth £15,000, and she £100,000 in a family trust. They have an income from these sources before tax of over £10,000. Both have cars worth £2,000, and pictures and silver worth an estimated £3,000. He has overdraft facilities running to £500. He paid over £2,000 direct to the tax authorities in the previous year (showing the interviewer copies of the forms). Each of his children has £500 per annum from a family trust, and savings of over £100 in addition. Each attends a private nursery or preparatory school, two of them boarding schools; to which £1,000 in fees are paid. They are in close touch with the husband's mother and father, who live locally and are seen every day, or nearly every day. He makes his father an allowance of £350 per annum. Relatives and friends frequently stay at the house and they both entertain and visit others frequently. They recognized they were well off, and said they were better off than ever. Mr Margood gives his wife £10 a week towards her housekeeping, and she estimated she drew another £23 a week to cover food, electricity, oil and cleaning.
Ranked 58

4. Mr and Mrs Dibshoss, aged 45 and 42, live with their children aged 17, 15, 12, 10 and 8 in a big farmhouse set among 200 acres in Lincolnshire. The house has been renovated and has rooms varying from ultra-modern with abstract designs and steel sculptures to sixteenth- and seventeenth-century antiques and pictures. Mr Dibshoss is a company director. He owns a string of grocers' shops and betting shops, and though he lives on his farm and manages it, he regarded himself principally as a bookie. He admitted to clearing £10,000 net per annum (which is probably an underestimate), and said he paid £5,000 tax in addition. He estimated the farm and farmhouse as worth £50,000, and jewellery and silver at £3,000. While he refused to give individual estimates of the value of his other property (shops, savings, stocks and shares), he said they would amount to, say, £75,000. The minimum value of assets is therefore in the region of £130,000. He owns a racehorse and four ponies, has a Land Rover and a Rover. All the children are at private schools. He said that it was 'impossible to live in poverty today. You are given enough for food and rent.

What makes people poor is buying fags and booze. It's their own doing. There's no such thing as poverty.'
Ranked 7

5. A chartered surveyor and senior partner of a firm of architects aged 50 lives with his wife aged 46 and children aged 14, 12, 8, 6 and 5 in a substantial house, valued at £6,500, in two acres of land outside Birmingham. His company has a staff of sixty, and handles substantial property contracts. He has a net income of £6,000, quite apart from a stake in the firm thought to be worth at least £50,000. He and members of his family also have stocks and shares and savings worth a further £30,000, and receive rent from a number of houses he inherited from his father and which he is selling as the opportunity arises. He is a member of a top-hat pension scheme and, independent of its provisions, pays nearly £1,000 into a life assurance scheme, which assures a lump sum of £20,000 plus profits. His wife's jewellery is insured for £2,000, and in addition to a company car his wife has a small car. She is a qualified doctor, but because the children are young works just one session a week at a near-by clinic, earning about £500 a year which she keeps for clothes and other personal expenses. The eldest child is at a private boarding school (for which fees of £500 per annum are paid), and the younger children will follow in their turn. Until very recently they had had a succession of *au pair* girls, and the wife still has paid domestic help most weekdays. In the previous summer they had rented a house in France for five weeks, taking the *au pair* with the family. Both husband and wife had spent short additional holidays overseas during the year. His father had been a shopkeeper and hers a school headmaster. They regard themselves as lower middle class despite a very high standard of living. When asked, 'If there is poverty what do you think can be done about it?' the husband answered, 'If I knew that I'd try politics, but I say this sincerely, not because I pay a lot of tax myself. I don't think taxing people to the limit is any use. There must be some incentives for working hard. People basically are concerned with their own lives and families, and by improving their lot, they improve everybody's, but I know from young men who work for me that they are more and more resentful of endless fiddles by the government to get a bit more money out of all of us. The attitude now is, "I've paid for it, I'll have all I can get," and they do get all they can. No idea of doing anything for the country. The country is grabbing all it can. I don't know how it will end, but if I were younger and my business were not so involved, I'd be off to Australia or New Zealand. There is no incentive here. If you do well, make some money for your family, you are persecuted for it. It's no use thinking people are any more or any less what they've always been. They are not a collection of saints. I know "no man is an island", but basically it's your own children you work for.'
Ranked 33

6. Mr and Mrs Chakebone are in their early fifties and have two teenage children. He is a director of a garment-manufacturing firm, said to have made a loss in the previous year, and he has a net salary of over £2,000 per annum. His share of the business is estimated to be worth £100,000, and he and his family have other assets, mainly savings and stocks and shares worth nearly another £20,000. The house is insured for £10,000, but is estimated to be worth £14,000. It is fully owned and is set in two acres of ground in Warwickshire. Mr Chakebone has been ill with a heart complaint for the last thirty weeks and has received sickness benefit through private insurance of another £48 per month in addition. He pointed out that because of his job he had access to a wide range of goods at wholesale and less than wholesale prices, and estimated that this was worth £1,000 a year to him. He and his wife regarded themselves as upper middle class. His father had been a managing director of a food firm and her father had run a drapery business. They were in daily contact with the surviving parents and a married daughter, all of whom lived near by. One child was still at private school. The other had recently left and had spent several months on holiday overseas. Mrs Chakebone described poverty as ‘having no home of your own and not enough food or clothing’. She added that the poor should be educated ‘to work and make the most of their ability’.
Ranked 14

7, Mr and Mrs Raynor-Blue, aged 56 and 55, live in a magnificent four-bedroomed house in Shropshire. He is company director of a carpet manufacturing firm and draws a salary of £5,000. With a short break during the war, he had worked for the firm throughout his life and has been director for sixteen years. His father had been a master butcher. His wife had owned a profitable drapery business, which she had inherited from her father. This had been sold fifteen years earlier. They owned £20,000 in stocks and shares, £15,000 in savings in various banks, building societies and defence bonds and antiques, pictures and jewellery worth at least £15,000. The house was estimated to be worth £19,000. His life is assured for £15,000. His overdraft facility is for £1,000. He has a Rover 2000 TC paid for by the firm, and she a new Renault. The house is at the end of a long drive with huge lawns, tended by a full-time gardener. The entrance hall has a minstrel gallery and is spaciously laid out, with valuable antique furniture, paintings and silverware. They have an only son, recently married and now on his honeymoon. An elderly aunt is staying for a month and they entertain and visit relatives occasionally. Mrs Raynor-Blue is out nearly every evening and plays a big role in local voluntary agencies - the choir, the Women’s Institute, Keep Fit, village suppers and church functions. Mr Raynor-Blue believed that class was determined by one’s family of birth, and both he and his wife said they were middle class. Mr Raynor-Blue does not believe in keeping money in the bank. ‘The bigger the overdraft you can get, the better. It is better to play about with money today.’ They believed poverty existed, but ‘if they are not disabled or

ill, then it is their own fault ... There are not enough questions asked before paying out social security benefits.'
Ranked 5

8. Mr and Mrs Avis-Brown, 62 and 60, live in a detached house with a large garden in Surrey estimated to be worth £14,000, to which they moved on Mr Avis-Brown's retirement as a bank manager two years previously. His final salary was over £14,000, since he was also a director of the bank. He receives a pension of £8,000 per annum. They estimate that their stocks and shares are worth approximately £75,000. They said they had received £2,800 in dividends and interest last year. In the house they have articles such as silver, jewellery and pictures worth at least £2,000. He estimated the value of his car at £1,200. His father was a commercial traveller for a textile manufacturer, and both considered themselves to be upper middle class. They went out to dinner two or three times a week, but did not have frequent contacts with relatives, though they stayed from time to time during the year. He pays an allowance of £500 per annum to a sister. When asked whether there was real poverty these days, he said not. 'There isn't any because there's the national assistance. It's all relative. What would be poverty to me would be a lot different to the poverty of other people. If you are really down and your living standards come from the national assistance - they give the amount necessary to live, don't they? ... If there is any poverty, it's up to the NA - if it's genuine - to see that they get help. It's a personal matter. There's plenty of work to be got if they want it.'
Ranked 2

9. Mr Prenger, aged 67 and his wife, 36, live with their children, aged 17 and 15, in a large farmhouse with six bedrooms. The farm and farmhouse, with an acreage of several hundred acres, is estimated to be worth £220,000 (confirmed by accountant). The farm was inherited by Mrs Prenger and she felt herself to be middle class though her husband, who said *his* father was working class, said he was lower middle class. As a farmer, he claimed that the last financial year for which he could give information was a very poor year because an investment allowance was brought to an end and bad weather caused poor crops. Including an allowance for depreciation, farm expenses which were allowed amounted to over £2,750 and his net income in that year was said to be only £350. He employs one farm hand round the year. His wife keeps a kennels and divides her time between the farm and the job of boarding dogs and cats, which earns her, she estimated, an average of £250 per annum net of expenses. Mr Prenger owns two cottages worth about £6,000 on the farm land, one of which is at present empty and the other rented for approximately £100 per annum. He has a small number of shares and about £1,000 of savings in a building society. They entertain a great deal and said their children have 'two or three friends to stay every weekend'. Both children keep horses and often go riding.
Ranked 4

10. Miss Wythenhurst, aged 77, lives in a three-bedroomed bungalow in Stirling-shire. Although others in the sample had greater wealth in absolute money value, and had larger incomes, they had dependants, whereas she had not. Her combined income and wealth was estimated to be equivalent to a figure more than forty times the supplementary benefit standard for someone living alone. She has just dispensed with the services of one housekeeper, but is about to employ another. She estimates the value of the bungalow at £6,500. Her stocks and shares of more than £65,000 yield an income of just under £3,000 per annum, and she owns about twenty houses, worth £13,650, producing a rental income after tax of £800 per annum. Other property amounts in value to £2,500, and she has jewellery and silver worth about £500. (The informant allowed the interviewer to take down extracts from her solicitor's account.) For many years she had been a teacher in a training college, having obtained an MA, but had given that up in the 1930s to nurse her mother, from whom she had inherited most of her property. Her father had owned a big store in Edinburgh. She had loaned £1,000 to a nephew to start a farm, but is paid no interest and does not give the impression of expecting to see it again. Miss Wythenhurst remains a keen churchgoer, and frequently visits the cinema and theatre. She also stays frequently with relatives and friends. She believes she is of the lower middle class. She gave an informed reply to a question about the kind of people in poverty, referring to large families, the unemployed, the families of men in prison and old people whose savings had been used up. 'I fear that the poor will always be with us, but education could still help mismanagement. Teach the young adults to look after their money and use it to the best of their abilities. That will help.'
Ranked 1

11. Colonel and Mrs Baglie are aged 83 and 66 respectively, and they live in a four-bedroomed detached house in spacious grounds near Bournemouth. His father had been the managing director of a shipping firm, and her family were 'Scottish landed gentry'. They considered they belonged to the upper middle class. They estimated that, between them, their stocks and shares were worth £60,000, and that savings (mainly invested with building societies), house and other property amounted to at least another £30,000. They still own land and houses in Scotland, from which rents are drawn. Unearned income is estimated at £3,500, in addition to the army pension. They have no children and, unusually for wealthy people, little or no contact with other relatives, seeing most of the resident maid, a non-resident gardener and a former servant, who stays with them frequently in the year. He said that, 'No healthy person need be poor. Poverty means thinking of every penny you spend, even on food and heat ... I think the Welfare State has done an awful lot of harm by leading the population to expect the government to do everything for them. It has undermined the feeling of responsibility that a man owes to his family. But we

cannot go back to pre-Welfare State days. The country needs a good leader. [The government] should not exaggerate class consciousness.'
Ranked 6

The Rich and the Poor

One method of highlighting the characteristics of the rich is to compare them with the poor. A range of criteria were applied and are illustrated in Table 9.5. We chose to compare the top 5 per cent of households with the bottom 5 per cent. Note that our method was to rank households *after* combining non-asset income in the previous year with annuitized income, *and* after expressing the result as a percentage of the household's supplementary benefit standard. Both groups of households were smaller, on average, than other households, and each contained rather fewer than 5 per cent of the sample population. Most of the differences were of a kind that would be expected. Nearly nine tenths of the poor were of manual occupational status, and three quarters said they were working class. Nine tenths of the rich were of non-manual occupational status, and four fifths said they were middle class. Only a few of the poor owned their homes, and only a few of the rich did not. By a number of measures, far more of the poor than of the rich experienced deprivation; indeed, on the basis of selected social customs and activities, possession of household facilities and certain common consumer durables, a very high proportion, ranging from nearly half to two thirds, were deprived. Only a quarter of the poorest 5 per cent were principally dependent for an income upon earnings, compared with over two thirds. Over a third of the poor depended on supplementary benefits, and another fifth were eligible to receive supplementary benefit. A higher proportion of the poor than of the rich were aged 65 and over, and more households contained children. As the table shows, the middle-aged were disproportionately represented among the rich.[1] As would be expected among a group with a larger proportion of old people, a higher proportion also had some trace of disablement, but even when standardized for age, the proportion of disabled in poor households is still higher. The table also brings out the big difference in resources between the two. As the first three lines of the table show, if the mean assets, income and income net worth of these two groups of households are compared, the rich have 909 times, seven times and twelve times as much, respectively, as the poor.

[1] The age-distribution of different groups among the richest 10 per cent is shown in Table A.23, Appendix Eight, page 1011.

Table 9.5. *Richest and poorest households compared.*

Characteristic	*Richest 5 %*[a]	*Poorest 5 %*[a]
Household resources		
1. Mean value of assets,	£28,185	£31
2. Mean net disposable income	£2,934	£420
3. Mean income net worth	£4,976	£423
4. Principally dependent for income on earnings	69 %	27 %
5. Overdraft facilities	17 %	0 %
Household characteristics	*Percentage of households*	
6. Owner-occupiers	87	7
7. Council tenants	0	45
8. Sometimes or often short of fuel	0	22
9. No garden or too small to sit in	12	37
10. Large garden	56	5
11. Not got sole use of four household facilities	5	39
12. Fewer than 6 of 10 selected consumer durables	7	64
13. Head of manual status	12	88
14. Either chief wage-earner or housewife or both say they are working class	19	72
15. Either chief wage-earner or housewife or both say they are middle class	81	28
16. Have dependent children	20	26
17. Have one-parent families	3	14

Both groups consisted of a wide variety of types of household. Rather more of the poor than of the rich lived in single-person households, households with several children and one-parent households, and fewer lived in households consisting of three or four adults. (Table A.24, Appendix Eight, page 1011.)

The Configuration of Wealth and Class

The presentation of both distributions and case-studies show how embedded among the rich are households of professional class. Company directors and farmers are, of course, represented among those with greatest wealth (and sometimes the latter are misclassified as of lower non-manual status when they own high values of land and farm buildings and machinery). Those owning vast tracts of industry and other property are the richest people in the population, but among the top 5 per cent they are relatively few in number. The striking fact is the large representation of chartered accountants, doctors, teachers, senior administrative civil servants and others with professional qualifications. Some are themselves landowners or farmers,

***Table 9.5**- contd*

Individual characteristics	*Percentage of individuals in such households*	
18. Under 15	20	38
19. 40-59	34	10
20. 65 or more	16	25
21. Not born in United Kingdom	7	5
22. Non-white	3	6
23. Scoring 1 or more on disability index	22	37
24. Adults of 25 or over with more than 10 years education	56	5
25. Unemployed one or more weeks in year (among those available for employment)	2	16
26. Employed or self-employed	52	20
27. Receiving supplementary benefit	0	35
28. Eligible for supplementary benefit but not receiving	1[b]	22
29. Feels poor sometimes or always (among chief wage-earners and housewives only)	4	59
30. Little or no support routinely or in emergencies from family	34	24
31. Severe social deprivation (scores of 6 or more on social deprivation index)	10	58
32. Member of one or more types of social minority	39	70
33. Not had holiday away	29	79

NOTES: [a]Households ranked on criteria of non-asset income last year, plus annuitized value of assets expressed as a percentage of the government poverty standard.
[b]Two pensioners in otherwise prosperous households.

or have transferred ownership of a farm to a company in which they hold a controlling interest and from which they receive a salary. A large number who have been upwardly mobile appear to have obtained their education and their high income and status partly upon the base of parental holdings of property and middle-class living standards. Where they have manual backgrounds, there is usually a non-manual wife or other relative in the offing.

More people of non-manual than of manual status are numbered among those with top-ranking incomes, but even more among those with top-ranking assets. Non-manual groups are more distinguishable from manual groups in the wealth that they own than in the incomes they receive, and their superior living standards derive in large measure from that fact. Table 9.6 shows the higher percentages of non-manual

Table 9.6. *Percentages of persons of different class in top 20 per cent of households, ranked respectively according to income, assets and income net worth as a percentage of the state's poverty standard.*

	Percentage in top 20 % of households			
Class of head or chief wage-earner	*(1) Net disposable household income last year*	*(2) Net value of household assets*	*(3) Income net worth as of state's poverty standard*	*Number*
Professional or managerial	64	67	53	410-16
Other non-manual	27	32	24	1,259-77
Manual	18	7	9	2,327-569
All classes	25	21	18	4,002-256

than manual groups finding their way into the affluent ranks of society - as determined by different criteria of riches.

As indirect illustration of the close relationship between high occupational class and riches, Table 9.7 shows the striking difference in mean value of assets between income units of professional class, and other income units. Trends suggested by the presentation of means can sometimes be unrepresentative. The table therefore also shows the proportion of people in households with non-asset income last year *plus* annuitized assets of 300 per cent or more of the state poverty standard. This therefore takes account of variations in composition of households and presence of two or more income units in some households. Again, the advantages of people of professional class, and to a lesser extent of managerial class, is striking.

The advantage of professional groups over other groups was pronounced in the case of earned incomes, but was more pronounced when other resources were taken into the reckoning. Households of professional status had a mean non-asset income of 252 per cent of that of households of unskilled manual status, but the percentage rose to 369 when the annuitized value of assets was added and to 382 when the value of employer welfare benefits in kind was further added (Table 9.8). The value of private and public social services in kind reduced only slightly this differential. Readers should note that household composition is not standardized in making these comparisons. If such composition was standardized, the differential would tend to be wider. There was, as noted above, both a slight underrepresentation of high-income households among those giving further information on assets and employer fringe benefits, and some understatement of

Table 9.7. *Mean value of total net assets of income units of different occupational class.*

Occupational class of income unit	*Mean assets £*	*People in units*		*Income net worth 300% or more of state's poverty standard*
		No.	*%*	
Professional	16,516	244	5	67
Managerial	6,326	187	4	43
Higher supervisory	6,786	442	10	36
Lower supervisory	6,588	556	12	30
Routine non-manual	1,159	367	8	20
Skilled manual	1,420	1,516	33	12
Partly skilled manual	877	778	17	11
Unskilled manual	442	449	10	8

the value of assets on the part of the wealthiest households. I have therefore included 'adjusted' estimates .n the table. These are, of course, approximate only, but suggest that the ratio of advantage was really around four to one rather than around three and a half to one.

People of manual class who had reached the top ranks of income or of wealth more often came from non-manual origins than those who remained in the bottom ranks. Among heads of households or chief wage-earners of manual class who were in the top 10 per cent of households (ranked as in Table 9.5 above), nearly half had non-manual fathers; but in the bottom 10 per cent, only one in six did so. The possession of a father in a non-manual job not only gives any children chances of better schooling, a better-paid job and a home at the stage of building a family themselves in their twenties or thirties. They have chances of inheriting wealth much later in life too. This point has been made by Harbury, who has shown that inheritance, or at least the capacity of families to maintain and augment their wealth, remains of great importance, though the distinction between the accumulation and the inheritance of wealth is not easy to draw.[1]

How resources come to be related differentially to both the occupational class of the individual and the rather more complex social class of the income unit or the

[1] 'There was no very marked change in the creation of the personal fortunes of the top wealth-leavers of the generations of the mid-twenties and the mid-fifties of this century' - Harbury, C. D., 'Inheritance and the Distribution of Personal Wealth in Britain', *Economic Journal,* December 1962, pp. 866-7.

***Table 9.8**. The cumulative effect on the mean value in the last year of the resources of households in different occupational classes.*

Social class of head of households	*Non-asset income*	*and annuitized value of assets*	*and employer fringe benefits*	*and value social services in kind*	*and private income in kind*	*Minimum number*
Professional	2,157	3,329	3,498	3,824	3,894	79
Managerial	1,585	2,072	2,197	2,483	2,544	61
Higher supervisory	1,464	2,022	2,152	2,463	2,525	145
Lower supervisory	1,133	1,607	1,702	1,933	2,016	186
Routine non-manual	1,008	1,216	1,287	1,477	1,533	103
Skilled manual	1,092	1,220	1,249	1,440	1,509	497
Partly skilled manual	1,025	1,089	1,106	1,276	1,349	244
Unskilled manual	855	903	916	1,067	1,110	154
Professional as a % of unskilled						
Professional	252	369	382	358	351	79
Professional (adjusted estimate)	[252]	[415]	[425]	[400]	[390]	79
Unskilled	100	100	100	100	100	154
Resources as a % of non-asset income						
Professional	100	154	162	177	181	79
Unskilled	100	106	107	125	130	154

NOTE: Instead of the annuitized value, a rental value of owner-occupied housing (7 per cent of the capital value) has been included in the second and subsequent columns.

household to which the individual belongs must therefore be a major strand of the inquiry. The subject will be explored in Chapter 10 and succeeding chapters.

Separate Elites or Ruling Class?

The survey provided data, admittedly incomplete, which are relevant to the question of whether the rich consist of a power elite or a ruling class. The influential study of C. Wright Mills[1] suggested there were separate institutional areas of society, in the economy, in politics and the military, each commanded by an elite which was closely associated and integrated with the elites commanding other areas. The separateness of these elites as social entities is hard to sustain. Examination of our household questionnaires suggested less separation of areas and more homogeneously structured living patterns, social associations and attitudes than would be warranted by such a plural approach. Thus people of high occupational status but different occupations shared similar types of advantage - for example, in fringe benefits at work, or accoutrements of the home - and though there were instances of some moving into the same occupations (and businesses and farms) as their fathers, there were many more instances where they moved into different occupations, albeit of similar occupational status. Through family and local networks, and in particular through styles of living, command of, or at least high position in, some institutional spheres was converted into allegiance to a general class. It was clear that the flying start afforded by parents, and especially if reinforced by marriage to someone of similarly high status, had allowed people to maintain their position of advantage. Far more had had long years of education, and far more now owned houses and other assets of greater value than their contemporaries. Inheritance of wealth must not be interpreted just as a ‘passive’ factor in life chances. It provides advantage in securing admission to top private schools, supplementing education, offering the surroundings and leisure to meet well-endowed individuals of the opposite sex, secure credit and launch new businesses, offset risks and secure disproportionate representation in political bodies. But neither must inheritance of wealth be examined just as a kind of social and political springboard. There are continual threats to remove it, and the continuous actions which are taken to *defend* and *extend* it form a major part of any development of theory. Here the competitive threats of individuals or groups have to be distinguished from the threats of society. Men can become bankrupt and penniless without the system of capital or property being in any way impaired. So we have to examine both the processes of economic and social mobility *and* the processes by which the institutional infrastructure of capital or property is

[1] Mills, C. W., *The Power Elite,* Oxford University Press, 1959. For a recent commentary, see Stanworth, P., and Giddens, A., *Elites and Power in British Society,* Cambridge University Press, 1974, esp. chapters by Giddens and Rex.

established and maintained - through parliamentary legislation, government regulation and administration and the formation and dissemination of cultural values.

This could, of course, take us far beyond the scope of this particular survey, but certain consequential steps may be suggested. The sociologist can examine how wealth is unequally distributed not merely by examining, as we have tried to do, the meanings of wealth and the units of ownership and the social and other characteristics of wealth-holders. He can proceed also by examining the sources of wealth, or the flows over the life-cycle; and the institutional structure of wealth.

The Sources of Wealth

Even without a specially directed series of questions, our interviews with the richest 1 per cent and 5 per cent of the sample draw attention to the considerable importance of inheritance of land and property, for example, on the death of a spouse or a parent, and also upon marriage or the establishment by a young adult of a bachelor home, in explaining substantial assets. This is in conformity with studies using other approaches,[1] and suggests that those arguing for the precedence of accumulation over inheritance, and therefore that differences in age explain a lot of inequality in the distribution of wealth, are placing the emphasis wrongly.[2] Moreover, when household assets and incomes are studied in survey conditions, the influence of family upon educational career and occupational choice and status would be hard to contravert. In various ways, people with high incomes as well as large assets have ‘inherited’ much from parents and family. The usual distinction between ‘accumulation’ and ‘inheritance’ is not easy to draw. It is assumed that wealth derived from invention, commerce, exploitation of land and other property, and a combination of thrift and high incomes, is attributable to individual skill, judgement and hard work. In some instances, this may be so; in most instances, skill or salary is enhanced by pledges of wealth in the first place. Our analysis shows the value of tracing riches through the life-cycle. A central question would be: from what different sources, and at what times in a man’s life, did his wealth come? We would want to examine social conventions about gifts, such as upon a 21st birthday, weddings, the birth of a child; inheritance of position in a family firm; loans to start a family business or otherwise to assist employment; lump sums and golden

[1] Harbury, ‘Inheritance and the Distribution of Personal Wealth in Britain’; Harbury, C., and McMahon, P., ‘Inheritance and the Characteristics of Top Wealth Leavers in Britain’, *Economic Journal,* September 1973; Todd, J. E., and Jones, L. M., *Matrimonial Property,* for the OP CS, HMSO, London, 1972. The thesis has also attracted powerful support for the United States. See, for example, Lundberg, F., *The Rich and the Super-Rich,* Nelson, 1969.

[2] For example, Polanyi, G., and Wood, J. B., *How Much Inequality?,* Institute of Economic Affairs, London, 1974.

handshakes after long occupational service; maintenance of interests in companies after leading roles are relinquished upon retirement; rights to property by virtue of type of employment; free or preferential issue of shares to share-holders and employees; sudden booms in the stock market or property market; and windfalls due to fluctuations in the economy or changes in the fortunes of tradition. We would expect class of origin, transmission between the generations and the accrual value of holdings obtained early in life to be major variables in the analysis of distribution - but only by grace of the institutional structure of wealth.

The Institutional Structure of Wealth

Riches are not only inherited or made: to be riches they have to be unavailable to the vast majority of the population. A theory of riches depends not only on theories of acquisition - how much wealth is inherited, accumulated by entrepreneurial effort or earned by the exercise of scarce skills. It depends also on theories of denial of access to wealth - through selective succession, testamentary concentration, limitation of entry to the professions, monopolization of capital and property or at least severe restriction on the opportunity to acquire land and property. The law and the values and norms of society have to be examined, and also the part played by different institutions and agencies distributing wealth or controlling access to wealth. Each of them, like the building societies, the insurance companies-and the banks, operate social rules by which access to the asset is controlled. If we are to understand how wealth arises and is unequally distributed, we have to explain their constitution, rules of operation and membership.[1] Over time, we can examine their relative growth and decline, and make estimates both of their share of aggregate wealth and the extent to which they contribute to the concentration of wealth among the population. The survey merely produced illustrations of their operation, and showed their combined effect on the distribution.

Some people showed us statements describing portfolios of stocks and shares and confessed how dependent they were on bank investment specialists, solicitors and brokers. Others revealed the extent of their dependence on overdraft facilities provided by a bank. Still others called our attention to different rates of interest on savings and deposits. In Chapter 13, we discuss how the most costly homes were being paid for more cheaply through endowment policies than were the least costly homes through mortgages from building societies. In investigating the institutional structure of wealth, then, we have to show not only why some people cannot become clients or customers, but why the richest customers and clients enjoy disproportionately favourable terms. It is only by explaining both phenomena that

[1] An honourable attempt to explain the relationship of insurance companies to the structure of inequality will be found, for example, in *Your Money and Your Life: Insurance Companies and Pension Funds,* Counter Information Services, London, 1974.

the persistence of vast wealth can be explained. Otherwise the spread of shareholding and owner-occupation might have been expected to lead quickly to equality in the course of this century.

In practice, far from squeezing the rich, the tax system aids and abets them, in spite of concessions made to people with small amounts of savings and other forms of wealth. Until 1974, estate duty, for example, could be avoided or reduced by passing on wealth more than seven years before death, buying agricultural land, taking out insurance, or establishing trusts, and the richest people could generally employ the most astute advice. In 1974, capital transfer tax was introduced to replace estate duty.[1] Although special relief for agricultural land, business assets and woodlands has been withdrawn, and although tax is levied at progressive rates on the cumulative total of gifts made during a person's lifetime, it has so far been a mild measure and is already subject to avoidance. As with death duties, there was no tax on the first £15,000 in the mid 1970s, and for higher values the rates of tax were lower than in the case of estate duty. Capital passing between husband and wife is exempt. Its longer-term effects remain to be seen, but seem unlikely to be more radical for the distribution of wealth than estate duty.[2] When first announced, the proposed wealth tax was not to be levied on amounts under £100,000.[3] In 1976, the Chancellor of the Exchequer announced deferment of the measure. There are other examples of taxes and tax allowances which are, in practice, found to be not unfavourable to the rich. Tax relief increases with the amount of interest payable on a mortgage, for example. In the case of government securities which are free of tax, the rate of interest may be low, but through such securities the tax liabilities of really wealthy people can be reduced.[4] The rich have complex types of resource which can be interchanged defensively. They have the means to employ skilled accountants and tax consultants. And, less directly, they exercise power to influence the form of the rules which are applied to them through legislation and administrative regulation.

The Proselytization of Life-styles

I have stressed the *active* defence and promotion by the rich of their resources and interests. This affords part, but only part, of the explanation of inequality and hence of poverty. It helps to show how some groups in society secure a disproportionately large share of available resources, thus diminishing the share available to others. Of

[1] *Capital Transfer Tax,* Cmnd 5705, HMSO, London, 1974. Gifts of up to £1,000 a year were exempted, and a nil rate of tax was applied to the first £15,000 of total transfers in a lifetime.

[2] For a discussion of avoidance, see Field, F., Meacher, M., and Pond, C., *To Him Who Hath,* Penguin Books, Harmondsworth, 1977, pp. 157-61.

[3] *Wealth Tax,* Cmnd 5704, HMSO, London, 1974.

[4] See the discussion in Atkinson, *The Economics of Inequality,* Chapter 8.

course, this happens less from any qualities which they as individuals possess, or from any actions which they as individuals or in groups take, than from the institutionalized structure erected by society, part of which they inhabit.

There is another part of the explanation, which is the second theme of this book - the creation of a style of living. The rich are not only favoured by the system, and exploit it. They actively shape its standards or values. They set fashions which become the styles sought after by the mass of the population. Over a period of time, luxuries which they enjoy become the necessities of society (though of course they are in the interim replaced by new luxuries). They foster the values which preserve their own status and induce deference. These values are values which condone, if not positively uphold, degrees of inequality and poverty.

More precisely, the rich play a very active part (especially today through ‘pro-fessional’ position) in redefining standards of deprivation and poverty as the years pass. They influence public attitudes to what is accepted as deprivation’ or poverty’ or ‘adequate living standards’ or ‘a civilized minimum standard’. They do so increasingly through the authority yielded to them by society by virtue of their professional qualifications and status. This is a second, distinctive, aspect of their power. In some ways they are encouraging a redefinition of poverty. They are schooling public perceptions about both the conditions which should be regarded as unacceptable and the minimum standards of life which should be conceded in deciding desert. Weber developed the idea that status groups could impose their way of life on society through domination of the educational system.[1] He did not sufficiently acknowledge the dependence of these groups on the generalized class to which they are affiliated, and perhaps the educational system must be interpreted broadly, to include certain aspects of the mass media.

Summary

The poverty survey demonstrates wide inequalities of incomes, assets and other resources. The top 1 per cent of households were found to have received 6 per cent of aggregate net disposable income in the twelve months previous to interview, with the next 4 per cent taking 10 per cent and the next 5 per cent over 9 per cent. Thus the top 10 per cent took 26 per cent of aggregate income, and the bottom 80 per cent only 59 per cent.

Assets were distributed more unequally, with the top 5 per cent owning 45 per cent of assets (i.e. *net* assets) and the bottom 80 per cent only 24 per cent, despite a wide definition of assets which included owner-occupied housing. These are unadjusted figures, and adjusted figures show that they understate the inequality in the shares of wealth which exists. We went on to demonstrate that, when multiple types of resources are examined, the unequal share of the rich remains very large,

[1] Weber, M., *Economy and Society,* vol. 2, New York, 1968, esp. Chapter 9.

even when other types of resource are brought into the picture and measured - including employer welfare, social services and private services in kind.

In developing knowledge about the rich, it is clear that some method of combining the value of income and assets, reflected in living standards, and also some method of controlling statements about the rich according to the varying composition of their living units or households have to be found. Both are attempted in the chapter. The results are striking. Put most baldly, they show that the top 10 per cent have an advantage which is nearly ten times that of the poorest 10 per cent. The reader should note that the 1968-9 values quoted in this chapter more than trebled by the late 1970s.

When analysing the characteristics of the rich, the sources of wealth, the flows over the life-cycle and the institutional structure of wealth, we identified some of the connections between class and riches - through inheritance via families, denial of access to, as well as promotion of, riches via the agencies of wealth transmission, and encouragement by the wealthy of the public values underpinning the social system of rewards which has maintained, or resulted in, their own highly privileged position. Perhaps one of the surprises of the study is to reveal the considerable wealth of the professional class. Necessarily, other methods than those adopted in the survey need to be employed to develop any explanation of the structure of the riches.

There is one further concluding comment which needs to be made. This chapter has sought to demonstrate the ambiguity with which riches and the rich are commonly discussed and officially presented, and to show how these terms might be treated more consistently and clearly. This implies, of course, the formulation of theory. Broadly speaking, the rich are conventionally discussed in terms of quantiles - the top 1 or 5 per cent, for example, of either incomes or wealth, but not of both. Yet this is to conceal the manipulation and conversion from one to the other, and also depersonalizes the concept of the rich. It is almost as if wealth were being claimed to be independent of class. Some common denominator has to be found to illustrate both the flexibility of command over resources and the need for consistent measurement of scale of resources. On the basis of differences in property and market relationships, social classes come to be established and the mode of life thereby created becomes something to be defended and strengthened partly by the further exploitation of economic advantage but also through direct and indirect political action. Studies of the rich have to move beyond the processes of mobility and recruitment to the *use* of wealth and income for self-interested protection and aggrandizement. This raises not merely questions of the relationship of class to resources and to the resource allocation institutions of society - discussed in the next chapter - but questions of the relationship of classes to the formulation and administration of social policy, through law, government and local government administration and the public dissemination of views about values.