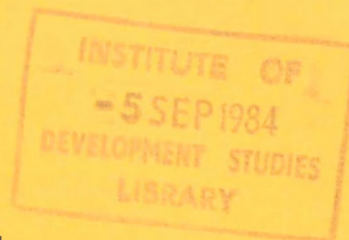


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DISTRIBUTION OF PERSONAL WEALTH IN SOUTH AFRICA

by
M.D. McGRATH



ERU



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Economic Research Unit
University of Natal
Durban
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PREFACE

The author is Senior Lecturer in Economics at the University of Natal, Durban. The research for this paper was undertaken in 1981 during a term as Research Fellow in the Economic Research Unit.

Many people contributed to the completion of this project, although they are in no way responsible for any of its views or defects. Gavin Maasdorp and George Trotter encouraged the project and contributed valuable comments. Merle Holden, Neil Muller, Peter Stopforth and Paddy Summers offered useful advice. Mr. Esterhuysen and the staff of the Master of the Supreme Court in Pietermaritzburg provided willing cooperation and assistance. Mr. Kinghorn of the Department of Inland Revenue offered insights based on his experience, and supplied comparative national data. My research assistants deserve a special mention of thanks for their hard work. Caroline Cotterell and Dev Rajcoomar braved the vaults of the Supreme Court and extracted and punched the records of over 5 000 estates. Pat Rainey assisted with creating the SP55 data files. Dale Schultz master-minded the programming and patiently executed the many tabulations which were requested. Lynn Kirkwood and Margaret Knee typed the final paper.

Some of the results of this research project have already been presented in papers at academic conferences. The data on the income from wealth and trends in estate taxation were presented to the 1981 Economic Society of South Africa conference at the University of Durban-Westville in a paper on "Wealth and Economic Justice in South Africa". A summary of the findings obtained by using mortality multipliers was presented to the National Productivity Institute Conference of Economists and Business Economists at the University of Port Elizabeth, November 1982, in a paper entitled "Measuring the Distribution of Personal Wealth in South Africa".

The research was financed by a grant from the Economic Research Fund of the University of Natal.

December 1982

M.McG.

1. INTRODUCTION

In 1976 the ratio of White to African personal per capita income was 12,5:1. Although discrimination in wages, occupations and access to educational opportunities can explain the differences in incomes from employment, these factors can explain only half of the difference in racial per capita income. The other half is due mainly to discrimination against Blacks in access to modern-sector employment, the low per capita output of the Black states and the racial distribution of income from wealth and entrepreneurship.⁽¹⁾

Some research efforts have been devoted to measuring the extent of racial income inequalities and the redistributive effects of the fiscal system, examining the operation of wage and occupational discrimination, estimating the magnitude of unemployment and underemployment, and assessing the relationship between education and income.⁽²⁾ No attention so far has been given to considering the relationship between wealth and income inequalities in South Africa. Indeed, the field of wealth inequality has received far less attention from economists than has that of income inequality, for data are available on the distribution of wealth for only 10 countries compared

(1) See J.B. Knight and M.D. McGrath, "An Analysis of Wage Discrimination in South Africa", Oxford Bulletin of Economics and Statistics, vol. 39 no. 4, November 1977, pp. 245-271.

(2) See, for example, the author's contributions to the Black/White Income Gap Project: Racial Income Distribution in South Africa, Interim Research Report No. 2, 1977 and The Racial Distribution of Taxes and State Expenditures, Final Research Report No. 2, 1979, both published by the Department of Economics, University of Natal, Durban; C. Simkins, "Measuring and Predicting Unemployment in South Africa 1960-1977", in C. Simkins and D. Clarke (eds.), Structural Unemployment in South Africa, Pietermaritzburg: Development Studies Research Group, University of Natal, 1978; and G.J. Trotter, "Education and Income Distribution", South African Journal of Economics, vol. 45 no. 4, December 1977, pp. 335-361.

with data on the distribution of income for 81 countries.⁽¹⁾

Several important reasons can be given for studying the distribution of wealth in any particular economy. Capital is a major factor of production and the conditions governing its supply are of fundamental importance to any economy, and one of these conditions is the distribution of its ownership. A knowledge of how the distribution of privately-owned wealth is changing is also important in understanding the effects which the growth path of the economy has on economy welfare. Non-labour incomes account for at least 20 per cent (and often a larger proportion) of national income, and a marked concentration in the ownership of wealth will operate to concentrate the distribution of incomes. A third reason is that, in order to examine the profile of development between countries, differences in their wealth concentrations should be known. Some effort has been made to compare the distribution of income in South Africa with that for other economies, and the results have shown that South Africa's distribution of income is extremely unequal, even when it is compared with countries of a similar level of development.⁽²⁾ A study of distribution of wealth also will give important insights into the economic effects of the political and economic system.

In the last decade, progress has been made towards removing occupational and wage discrimination, but the concentration of wealth in White hands will act as a factor perpetuating racial income disparities. Policy makers, therefore, might consider the taxation of wealth in order to spread its holding more evenly throughout the economy. Wealth is, however, not only important for the economic power which it yields directly through the income it generates, or through control over resources and firms, but also as an indirect

(1) See A. Harrison, The Distribution of Wealth in Ten Countries, Royal Commission on the Distribution of Income and Wealth, Background Paper No. 7, London, 1979; and S. Jain, Size Distribution of Income: A Compilation of Data, Washington: World Bank, 1975.

(2) M.D. McGrath, "Income and Material Inequality in South Africa" in L. Schlenmer and E. Webster (eds.), Change, Reform and Economic Growth in South Africa, Johannesburg: Ravan Press, 1978.

source of social and political power.⁽¹⁾ Many different groups are striving to find economic and constitutional arrangements which will ensure long-term economic and political stability, and the distribution of income and wealth is a major area of potential conflict. Research into both these fields is therefore of immediate importance.

This paper presents a first step towards researching inequalities in South Africa's personal wealth distribution. Section 2 defines the concept of personal wealth, while research techniques and data for other economies are considered in Sections 3 and 4 respectively. The evidence for South Africa is presented in Sections 5 through 10. Section 11 relates the distribution of income with that of wealth and Section 12 considers policy towards the taxation of wealth. The paper does not attempt to explain the process which has led to the distribution which is measured.

(1) See H.P. Tuckman, The Economics of the Rich, New York: Random House, 1973, pp. 27-28; and J. Meade, Efficiency, Equality and the Ownership of Property, London: Allen and Unwin, 1964, p. 39.

2. THE CONCEPT OF PERSONAL WEALTH

The focus of attention of this paper is on personal wealth, that is, the wealth directly owned by individuals. Personal wealth must be distinguished from the total wealth of the nation which would also include the net worth of the company and public sectors.⁽¹⁾ According to Revell and Roe,⁽²⁾ personal wealth accounted for approximately 78 per cent of the total national wealth in Britain, while Goldsmith estimates that in 1958 six-sevenths of the wealth in the United States of America was privately owned.⁽³⁾ But unfortunately there are no data on the relative magnitude of personal wealth in total wealth in South Africa.

Personal wealth may be defined as consisting of physical assets such as houses and other consumer durables, and claims on other sectors net of liabilities to those sectors. Wealth is distinguished from income by the fact that it is a stock of assets whereas income is a flow over time of the receipts accruing from the ownership of assets (and from other sources such as earnings).⁽⁴⁾

Ideally, the definition of wealth should cover all assets which convey command over resources, but in practice several major types of capital usually have been omitted from studies. The first of these is the right to benefits from the state (such as pensions) and to communal assets (such as schools and hospitals). The second category is 'human capital' and represents the capitalised value of a future ear-

-
- (1) A.B. Atkinson, Unequal Shares, Harmondsworth: Penguin, 1974. pp.7-8.
(2) Cited in A.B. Atkinson & A.J. Harrison, Distribution of Personal Wealth in Britain, Cambridge: Cambridge University Press, 1978, p.3.
(3) R.W. Goldsmith, The National Wealth of the US in the Post War Period, National Bureau of Economic Research Studies in Capital Formation & Financing, vol. 10, Princeton: Princeton University Press, 1962, pp. 145-146.
(4) See Atkinson, *op cit*, pp. 3-6 and Atkinson and Harrison, *op cit*, pp. 3-5.

ning capacity.⁽¹⁾ Studies of the distribution of personal wealth usually have not extended to valuing human capital,⁽²⁾ and have been concerned rather with current, non-human wealth.

(1) *Ibid*, pp.4-5.

(2) The effects of unequally-distributed human capital are reflected *inter alia* in an unequal distribution of income.

3. RESEARCH ON THE DISTRIBUTION OF PERSONAL WEALTH

Several methods have been used to estimate the distribution of personal wealth. One technique, which has been used occasionally in Britain, America and Canada, is to conduct sample surveys of households which ask about the ownership of wealth directly. The advantages of surveys are that they can provide information about the wealth of the living population directly and they can be stratified to cover the whole population. The disadvantages occur because of the low response rates which have been experienced, and because of substantial understatement of the wealth of those who do respond, resulting in an underestimation of total wealth and of the extent of concentration among top wealth holders.⁽¹⁾

A South African market research firm, Market Research Africa, is presently conducting a survey of financial holdings. Unfortunately this survey will be unsuitable for estimating the distribution of wealth because it undoubtedly will suffer from the problems which have been discussed, and because the value of major assets such as farms, fixed property, etc., has not been included in their schedule.

An alternative approach is to attempt to infer the distribution of personal and total wealth from the distribution of the income from that wealth, with the data on income from wealth being obtained directly from surveys or income-tax returns.⁽²⁾ A yield multiplier, derived from the estimated return on wealth, is used to estimate the capital sum. This technique dates back to Sir Robert Giffen's estimates made towards the end of the last century. Giffen described his procedure as follows:

-
- (1) In Canada household surveys have been carried out since the 1950s, while in America the census enumerations in the 1800s included wealth declarations, and surveys have been undertaken from time to time since then. The best known survey of British wealth was carried out by the Oxford Institute of Statistics in the late 1950s (see Atkinson and Harrison, *op cit*, p. 15).
 - (2) If the yield is thought to be 20 per cent, the multiplier is 5, and if an income of R1 000 had been accrued the inferred capital sum would be R5 000.

"It becomes possible by means of income tax assessments to apply a certain number of years' purchase, according to the best estimate that can be formed, to the different descriptions of income from property, and by this means an estimate of the capital yielding income can be arrived at".⁽¹⁾

Atkinson and Harrison report that this technique has not been used in recent years in either Britain or America, although it once attracted considerable attention.⁽²⁾ Its major defect is that the estimated distribution is highly sensitive to small variations in the rates of return from which the yield multipliers are derived, and it is regarded as being less reliable than the estate multiplier.⁽³⁾ The family or household income data which are available for the major urban areas of South Africa are not sufficiently disaggregated to allow reliable estimates of total wealth to be made, using a yield multiplier.⁽⁴⁾ However, they can be used to give a second-best approximation to the distribution of wealth as they do reflect the income from wealth.

The method of estimating the distribution of wealth which has been used most frequently in Britain, is based on the accounts submitted for estate duty. The distribution of the values of deceased estates is extrapolated into an estimated distribution of wealth among living persons, by using estate multipliers which are derived from the reciprocals of mortality rates for appropriate sub-groups of the population. The official British statistics which are published for the years after 1960 are based on these estate multipliers. The earliest studies in Britain were concerned with aggregate personal wealth, and

(1) Sir R. Giffen, *Statistics*, London: Macmillan, 1913, cited in Atkinson and Harrison, *op cit*, p. 11.

(2) *Ibid*, pp. 12-14.

(3) *Ibid*, pp. 14-16.

(4) Data for White families come from the regular Survey of Household Expenditure conducted by the Department of Statistics, Pretoria. Black households are covered by various reports on income and expenditure patterns of non-White urban households, published by the Bureau of Market Research, University of South Africa, Pretoria.

applied a single multiplier which ranged between 25-55. Later studies used multipliers related to age at death and social class, and in 1925 the estate multiplier was first used by Clay to estimate the distribution of wealth. Estate multipliers have also been used to generate data for America, New Zealand and Eire.⁽¹⁾

In the case of South Africa, data on the estates of Whites, Coloureds and Asians are obtainable from estate accounts which are lodged at the offices of the Master of the Supreme Court in each province. The estate records contain age and occupation at death, sex, marital status, and the value of assets and liabilities. Returns are made by the Masters to the Receiver of Inland Revenue, and these data could be used directly to estimate the distribution of wealth if they were processed in a suitable form, but unfortunately the only tabulations which are available fail to distinguish between race, sex and age groups. The researcher thus is forced to consult the actual estate accounts in the Supreme Courts. Data on the estates of Blacks are impossible to obtain in practice since they are lodged in the decentralised offices of district Commissioners. The Black share of personal wealth is, however, a very minor component of the total, and a good picture of the distribution can be built up from data on White, Coloured and Asian estates. A separate mortality multiplier for each age and sex group for the White, Coloured and Asian population can be derived from South African life tables.

The estate-multiplier technique has several major defects. One of these arises from the possibility of the undervaluation of assets in estates. The most serious problem of undervaluation arises, in the case of South Africa, from shares in private companies, agricultural land, and residential land and buildings in cases where municipal valuations are applied. These assets can be identified separately in the estate accounts, and high and low estimates can be made to test the

(1) Atkinson and Harrison, *op cit*, pp. 7-11, 14, 15, 17-48.

sensitivity of the results. Problems arise due to gifts which are made some years before death, and consequently do not enter into the estate at all. Gifts of this sort are usually made to avoid death taxes and are likely to be less prevalent in South Africa than elsewhere because of the generous levels of exemption coupled with relatively low rates of taxation. Nevertheless, they will occur, and their effect will be likely to increase the estimated wealth of the younger age cohorts, although they are most unlikely to affect the racial distribution. Trusts also can be established *inter vivos* to avoid estate duties, and their effect will be to cause an underestimation of the wealth of higher groups. The assets of trusts which are created *inter vivos* can be declared for estate duty purposes at their value on the inception of the trust. In making estate returns, some assets will be valued at 'realisation' value, and this will give a result which is considerably lower than if they were valued as a 'going concern'. 'Realisation' and 'going concern' valuations will be identical in perfect markets, whilst in imperfect markets the 'realisation' value will be lower than the 'going concern' valuation, and the result will be an underestimation of the value of the wealth.⁽¹⁾

A second source of major difficulties lies in estimation errors owing to the use of inappropriate multipliers. A bias can arise in the multipliers because certain occupational groups, and married men

(1) 'Realisation' value is the value which could be obtained from a sale on the open market on the day in question, whereas 'going concern' valuation is the value to the individual on the assumption that the asset is retained. See *ibid*, pp. 5-6. In the case of life insurance the 'realisation value' may be above the 'going concern' value. Life insurance payments present a particular problem since they can bias the distribution of wealth in the younger age groups. In this study life insurance payments were excluded from the value of the estate if the deceased was younger than 45 years. The result will be an understatement of the total wealth of the age groups under 45 years, an underestimate of inequality within these groups, and a possible undervaluation of the wealth of Whites relative to other population groups. The ideal value for a study of wealth is the surrender value of such policies, for our concern is the wealth of the living.

and women, experience lower-than-average mortality rates for their age. South African life tables do not provide data on mortality rates by occupation and marital status, and this will lead to errors in the estimated wealth distribution, although predicting the sign of these errors is not at all straightforward.⁽¹⁾ In addition, there can be sampling errors owing to the selectivity of death itself, for younger age groups contain a very small number of estates which may not be representative of the population.

A third area of difficulty arises from the definition of ownership. The wealth holdings which are estimated from estate returns relate to individuals, although family wealth may be a more appropriate concept when analysing the relationship between wealth and income distribution. Unfortunately there is no way of 'marrying-up' the estimates of individual wealth.

Despite the many estimation problems and qualifications which can be made about the estate-multiplier technique, it is regarded as being the best available method for estimating the distribution of wealth.

The results of estimates based on mortality multipliers should not be taken too literally. They should rather be regarded as pieces of abstract descriptive economics, which have some of the characteristics of an abstract painting. Although each percentage may appear precise, it represents an impressionistic band which has a width which cannot be estimated accurately. However, when the whole picture is examined from a distance, it does convey meaning and a sense of dimension.

Before attempting an analysis of South African data, the experience of other countries will be reviewed briefly.

(1) *Ibid*, pp. 49-78.

4. THE EVIDENCE FOR NINE COUNTRIES

Although research on the distribution of wealth has a long history, the only results which are available apply to developed countries. All the studies which have been undertaken indicate that the ownership of wealth is more concentrated than is the distribution of incomes, and that the receipt of income from wealth is more concentrated than its ownership.⁽¹⁾ The distribution of income and wealth in nine countries for which data exist is shown in Table 1, although only the wealth data for Britain and the United States of America are strictly comparable in terms of their coverage and reliability.⁽²⁾

The income data are for households or families, whereas the wealth data, with the exception of Canada, are for individuals. The effect probably is to cause the distribution of wealth to appear less concentrated than it would be on a family or household basis.⁽³⁾ The results shown in the table are limited to top wealth holders, i.e., the share of the top 5 and 10 per cent. Data on the global distribution exist for only three countries, viz., Belgium, France and West Germany, and in Belgium and France the top 30 per cent of wealth holders accounted for almost 80 per cent of wealth. In West Germany, which had the most equal wealth distribution of the countries shown in Table 1, the share of the top 30 per cent was 66 per cent.⁽⁴⁾ Data on the share of the top 10 per cent of wealth holders cover over 45 per cent of wealth, and if the data are extended to the top 30 per cent, over two-thirds of wealth is covered. It would therefore not

(1) Data for Britain showed that in 1960 the top 10 per cent of income-tax units received 99 per cent of income from wealth, whereas their share of wealth was 83 per cent. Meade, *op cit*, p.47.

(2) Harrison, *op cit*, pp. 51-58.

(3) See Atkinson, *op cit*, pp. 23-24 and, for a fuller discussion, Atkinson and Harrison, *op cit*, pp. 241-250.

(4) Harrison, *op cit*, pp. 51-58.

Table 1 Concentration of Income and Wealth in
Nine Developed Nations^(a)

Country	Year	Wealth		Income	
		Share of top 5%	Share of top 10%	Share of top 5%	Share of top 10%
Britain	1970	54,3	69,4	13,7	23,9
United States of America	1969	43,7	53,0	18,2	29,1
Canada	1970	45,7	59,8	14,5	24,0
Australia	1967-68	56,6	72,5	14,1	23,5
New Zealand	1966	44,5	60,0	15,1	24,6
Denmark	1975	42,0	57,0	19,7	31,5
Sweden	1975	47,0	63,0	16,8	27,5
France	1975	36,2	51,7	24,7	37,2
West Germany	1975	33,9	45,3	18,2	29,1

Note: (a) The income data are chosen for a year as close as possible to the year of the wealth study.

Source: A. Harrison, *The Distribution of Wealth in Ten Countries*, Royal Commission on the Distribution of Income and Wealth, London, 1979; S. Jain, *Size Distribution of Income: A Compilation of Data*, The World Bank, Washington: 1975.

appear as vital to obtain information about the complete distribution of wealth in a country as it would be to obtain comprehensive data on the distribution of incomes.

Table 1 shows quite clearly that the distribution of wealth is far more concentrated than that of income in the highest percentiles, although not all persons in the highest income classes need also be in the highest wealth classes. Unfortunately, there is no simple relationship between the distribution of income and that of wealth. The former is influenced by the latter, but it is also influenced by demographic factors, institutional arrangements, and behavioural factors

as the propensity to save. It is therefore not inconsistent and that the share of income of the top 4 per cent of recipients were in Britain than in any of the countries of Table 1, whereas the distribution of wealth in Britain is very unequal.

The trend in both Britain and the United States has been towards a reduced concentration of wealth, as measured by the share of the highest percentile. Lampman reported a drop in the share of the top one per cent in the United States from 32 per cent in 1922 to 25 per cent in 1953,⁽¹⁾ but Harrison shows that this share remained relatively unchanged in later years.⁽²⁾ In England and Wales the share of the top one per cent of adults may have decreased as much as 70 per cent in 1911-1913 to 50 per cent in 1946-1947.⁽³⁾ After a meticulous revision of the data, Atkinson and Harrison estimate that the share of the top 5 per cent in England and Wales in the years 1930 was 80 per cent, whereas in Great Britain this was 54 per cent in 1970.⁽⁴⁾ Relatively little importance is placed on the effect of death duties on the shares of the top wealth holders. The most important factors causing the reduction in their share are seen as intergenerational transfers of wealth within the family in order to avoid death duties, and an increase in the wealth holdings of women, partly owing to their improved longevity relative to men. The redistribution which occurred, however, has been largely between the highest percentile in the distribution. An increase in the private ownership of housing stock in Britain also has contributed to reducing wealth inequalities.⁽⁵⁾

R.J. Lampman, The Share of Top Wealth Holders in National Wealth: 1922-1956, National Bureau for Economic Research, General Series No. 74, Princeton: Princeton University Press, 1962.

Harrison, *op cit*, pp. 30-31.

Atkinson, *op cit*, pp. 21-22.

Atkinson and Harrison, *op cit*, pp. 163-169.

See Atkinson, *op cit*, pp. 21-24 and Harrison, *op cit*, pp. 34-38.

5. THE INCOME FROM WEALTH

The inter-country evidence in Section 4 showed that the distribution of wealth is more concentrated in the higher percentiles than is the distribution of income. In South Africa, the top 10 per cent of income recipients receive 57 per cent of income, and they are predominantly White.⁽¹⁾ The share of the top 10 per cent of wealth owners for five out of nine of the countries listed in Table 1 was more than twice as large as the share of income accruing to the top 10 per cent of income recipients. If South Africa follows this pattern, its concentration of wealth will indeed be extremely marked.

The racial distribution of wealth is reflected by that of property income. Property, interest and dividend incomes of households constitute approximately 10 per cent of personal income.⁽²⁾ Some writers simply have assumed that all property incomes accrue to Whites, implying that Whites own all wealth in the economy.⁽³⁾ This is, however, an extreme assumption.

Table 2 shows the relative importance of income from property and investment in the income of the average household in selected areas. In the large urban areas interest and property incomes are a small fraction of Black incomes, and in rural areas this fraction

(1) McGrath, "Income and Material Inequality", *op cit*, p. 160.

(2) The personal income account of the National Accounts (see South African Statistics, Pretoria: Government Printer, 1980, p. 21.16) lists an item for income from property by households. This includes the profits of unincorporated businesses. The share of labour was imputed, using the proportions which Kravis applied to American data: see I.B. Kravis, "Relative Income Shares in Fact and Theory", American Economic Review, vol. 49 no. 5, December 1959, pp. 917-949.

(3) An example is found in J. Natrass, "The Narrowing of Wage Differentials in South Africa", South African Journal of Economics, vol. 45 no. 4, December 1977, pp. 68-83.

Table 2 Average Annual Property and Investment Income for Households in Selected Areas in 1975^(a)

	Amount (R)	% of income
White households in major urban areas	777,00	8,00
Coloured households in Cape Town	6,36	0,35
Asian households in Durban	25,00	0,93
African households in Johannesburg	1,71	0,12
African households in Durban	1,19	0,09

Note: (a) Imputed rentals on owner-occupied housing are not included.

Sources: Survey of Household Expenditure 1975: Detailed Expenditure According to Occupational Group, Household Size and Income, Report No. 11-06-06, Pretoria: Government Printer, Table 2.2.26; Income and Expenditure Pattern of Urban Households: Black Households in Durban, 50-10; Black Households in Johannesburg, 50-3; Indian Households in Durban, 50-7; Coloured Households in Cape Town, 50-5, Bureau of Market Research, University of South Africa, Pretoria, 1976.

is even smaller, ⁽¹⁾ but to these incomes must be added the return to property included in the incomes of self-employed persons. Incomes from self-employment for Whites, Coloureds and Asians can be estimated from the 1970 Population Census. ⁽²⁾ Incomes of Blacks from self-employment can be estimated from the household survey data. ⁽³⁾

- (1) African households reported zero income from interest and property in five out of six rural areas surveyed by the Bureau of Market Research in 1972.
- (2) Incomes of the self-employed can be estimated from the employer category of the personal income census. White incomes accounted for 95 per cent of the total. It was assumed that the labour content of these incomes was the same for each group. Income and Work Status by District and Economic Region, Report No. 02-07-07, Population Census 1970, Pretoria: Government Printer.
- (3) Black self-employed incomes in Durban and Johannesburg were approximately 3 per cent of total income. This was generously assumed to be the national average and the estimated total was divided between labour and property income in the ratio of 2:1.

Table 3 shows the estimated components of the income from wealth and their racial distribution. In deriving the estimates in this table, generous assumptions were made about the Black share of interests and profits. Notwithstanding these assumptions, the White share of the income from wealth is at least 94 per cent of the total, whereas their share of personal income at the same date was estimated at 68 per cent. ⁽¹⁾

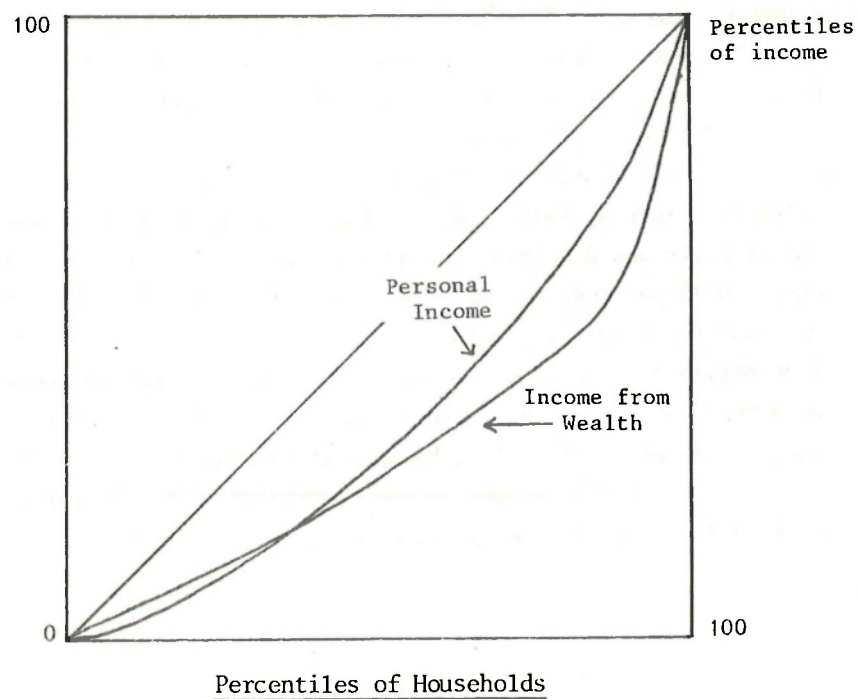
Table 3 Estimated Components of Income from Wealth and their Racial Distribution, 1975 (R000'000)

	Total	White share
Household incomes from property and entrepreneurship	4 815	
Less: imputed labour incomes	2 137	
	2 677	
Add : transfers from the rest of the world	142	
	2 819	
<u>Divided as follows :</u>		
Profits of non-corporate business	983	893
Interest, rent and dividends	1 694	1 611
Transfers from the rest of the world	142	142
	2 819	2 646

The household expenditure surveys for Blacks do not provide sufficient information to estimate the concentration of income from wealth within the Black groups, but the White survey data do allow this. In Figure 1 Lorenz Curves are shown for White total household incomes, and White household incomes from wealth, for 13 major urban areas. It is clear from this figure that wealth incomes are more unequally distribu-

(1) Natrass, *op cit*, p.409.

Figure 1 Lorenz Curves for Household Income in Urban Areas,
1975



Source: Survey of Household Expenditure, 1975: Detailed Expenditure According to Occupational Group, Household Size and Income Group, Report No. 11-06-06, Pretoria: Government Printer.

ted than personal incomes, in the higher percentiles. Similar data are not available for the incomes of Whites in rural areas, but population census data do allow the inequality of their incomes to be measured. The Gini index for White family incomes in rural and urban areas at the 1970 census were respectively 0,501 and 0,342.⁽¹⁾

(1) Estimated from Population Census 1970: Families, Report No. 02-03-02, Pretoria: Government Printer, Table A2. The data have not been adjusted for family size, and the Gini coefficients are averaged from estimated maximum and minimum values. The Gini coefficient takes values between zero and one, and its value approaches zero as the distribution becomes more equal.

The income from wealth usually is less equally distributed than personal income from all sources, and the census may considerably understate the extent of income inequality among White families in rural areas due to the under-reporting of incomes by farmers, which discrepancy may become greater at higher income levels. The distribution of income from wealth accruing to Whites is therefore likely to be more equal in urban than in rural areas. If we assume, very conservatively, that all White incomes from wealth follow the urban distribution, the top 60 per cent of White incomes from property would account for 80 per cent of White property incomes and 75 per cent of the total income from wealth. This would represent the share of the top decile of wealth incomes. This crude estimate is, however, likely to be a severe understatement of the actual concentration of the income from wealth, and of the underlying distribution of wealth, because it has underestimated the concentration of wealth incomes in the control of Whites in rural areas, and it has assumed that only Whites occupy places in the top decile.

6. THE ESTATE-RETURNS METHOD FOR SOUTH AFRICA

A direct estimate of the distribution of wealth is made in this section using the estate-multiplier technique.

The Sample

The year 1974/75 was chosen for investigation since it is fairly recent, income data are available and it represented a turning point in the business cycle when fairly 'normal' values would have been recorded for assets such as shares and property.⁽¹⁾ Estate data were drawn at the Natal Supreme Court in Pietermaritzburg for every estate lodged in 1975. These data correspond broadly with the estates of people dying between mid-1974 and mid-1975. In total 5 208 estate accounts were consulted. In terms of racial composition the estates were almost entirely White (75,3 per cent) and Asian (20,6 per cent); only 2,6 per cent were Coloured and 1,5 per cent Black.⁽²⁾

The estates of Blacks in most cases were insignificantly small and cannot be regarded as representative since they are usually lodged with district administration commissioners. The White, Coloured and Asian data represented respectively 84, 18 and 26 per cent of deaths recorded among those groups in Natal during 1975. The higher proportion of estate returns for Whites is to be expected since returns are often not made if the estate has assets of negligible value. A mortality multiplier specific to the age, sex and racial groups of the deceased was applied to each recorded estate.⁽³⁾

(1) The course of the business cycle for these years is shown in Annual Economic Report 1976, Pretoria: South African Reserve Bank, pp. 15-18.

(2) 77 of these estates were rejected because they related to years prior to 1974 or because they were of insignificant amounts and had belonged to a foreign country. Data on total deaths were obtained from Deaths: Whites, Coloureds and Asians 1975, Report 07-03-11 Pretoria: Government Printer.

(3) Mortality multipliers for ages between 1-90 years for men and women of White, Coloured and Asian population groups were calculated from South African Life Tables 1969-1971, Report 02-06-02 Pretoria: Government Printer.

A frequency distribution by age for race and sex groups was obtained from these data, and this was compared with the estimated population of Natal in the same categories. Differences between the estimated population and the actual were assumed to have been caused by a failure to submit returns for estates with zero wealth. These differences were added to the zero-wealth class for each group, thereby giving the distribution of wealth for the population of Natal.

The characteristics of the Natal population may allow very tentative generalisations about the distribution of wealth in the whole economy. The distribution of estate values in Natal in 1974/75 was very similar to the national distribution. Table 4 shows the distribution of estates lodged in Natal and South Africa in 1974/75.

Table 4 Distribution of Estates in Natal and South Africa, 1974/75

Estate class (R)	Natal %	South Africa %
0 - 24 999	72,7	75,7
25 000 - 49 999	13,4	11,7
50 000 - 74 999	4,6	4,5
75 000 - 99 999	2,6	2,3
100 000 - 149 999	2,8	2,3
150 000 - 199 999	1,3	1,2
200 000 - 249 999	0,9	0,7
250 000 +	1,7	1,6
	100,0	100,0

Sources: Data for South Africa supplied by the Department of Inland Revenue, data for Natal compiled from estate records of the Natal Supreme Court.

Chi-squared tests performed on these distributions showed that

they were not significantly different at the 0,995 level. When the Natal data are weighted according to the national proportions of deaths of Whites, Coloureds and Asians in 1975, the new weighted distribution is still not significantly different from the national distribution at the 0,95 confidence level. These tests would appear to indicate that Natal estate data will provide a good surrogate for national data and that generalisations may be valid.

Age is a major factor influencing wealth, and chi-squared tests showed that the age distributions of Whites, Coloureds and Asians in Natal in 1970 were not significantly different from their respective national distributions.⁽¹⁾ Death and age are closely related, and the multipliers applied by race, age and sex will therefore also give a good approximation to the national distribution. Table 5 shows median family incomes for these race groups in Natal and South Africa at the 1970 census.

Table 5 Median Family Incomes by Race, 1970 (R)

	White	Coloured	Asian
Natal	3 876	1 310	841
South Africa	3 774	610	947
Natal : South Africa	1,03	2,15	0,89

Source: Population Census 1970: Families, Report No. 02-03-01, Pretoria: Government Printer, Table 5.

This table indicates that the median income of White families in Natal is very close to the national median, which again shows that a basis exists for generalising from the Natal data. The difference for Coloureds is extremely large and, if wealth and income are related, use of the Coloured data for Natal will lead to an overestimation of the

(1) At the 99 per cent confidence level.

national wealth of Coloureds. This will understate inequalities in the distribution of wealth for the population as a whole.

The largest White estates in Natal may not be as great as large estates in other provinces, resulting in the understatement both of the wealth of Whites and of inequality when generalisations are made from the Natal data. Generalised conclusions based on these data are thus conservative since they will understate inequality in the national distribution of wealth.

The Distribution of Wealth

Per Capita Averages

The average value of wealth for race groups is shown in Table 6. In making all the estimates which follow, the population has been limited to members over the age of 20 years as younger people are unlikely to have accumulated any wealth.

Table 6 Average Wealth by Race, 1975 (R)

	White	Coloured	Asian
All members	13 731	688	2 408
Men	18 384	1 006	3 064
Women	9 361	406	1 753

If the reported values of assets such as farms, fixed property and shares in unquoted companies are revalued to more realistic levels, the level of White per capita wealth shown in Table 6 is increased by approximately 30 per cent, but that of Coloureds and Asians increases by less than 15 per cent. The estimates which follow in this paper will all be based on actual reported wealth, and can be re-

garded as low estimates of concentration both between and within racial groups.

The sources of these disparities shown in Table 6 are to be found in inequalities of income and savings in past years, and in the rates of return which have been earned on various types of assets. From Table 6 we see that the average value of White per capita wealth is respectively 20 and 5,7 times greater than the Coloured and Asian figures. These wealth disparities are greater than the income disparities between Whites and Coloureds, and Whites and Asians, which were 5,8 and 4,5 respectively.⁽¹⁾

Large inequalities are also found between men and women. The average wealth of White, Coloured and Asian men is respectively 2,0, 2,5 and 1,8 times greater than in the case of women, reflecting the lower earnings and levels of participation of women as well as the division of assets within families, where men appear to predominate in the nominal ownership of family wealth.

Measuring the Concentration

Several techniques will be used to illustrate the extent of concentration. They all fall into the group of measures which have been described as being 'non-decisive' since they do not present a single summary statistic, but rather summarise information about ranges of the distribution. The first to be used takes the shares of specified percentiles of the distribution of wealth owners (percentile shares), the second draws Lorenz Curves for the distribution of wealth within each racial group, a third presents levels of wealth that divide specified percentiles of the population, while the last shows proportions of the population above specified values of wealth.

(1) M.D.McGrath, "Historical Trends in the Distribution of Racial Incomes in South Africa", Perspectives in Economic History, vol. 1, 1982, pp. 17-18.

Percentile shares of wealth of Whites, Coloureds and Asians in the age groups over 20 years are shown in Table 7, and an examination of this table shows that the distribution of wealth for Whites is less unequal than for Coloureds and Asians, and that Coloureds and Asians have very similar distributions. A comparison of Table 7 and Table 1 shows that shares of the top quintile and decile of Whites was smaller than in the equivalent percentiles in Britain and Australia, and was not much higher than in Sweden. Nevertheless, the shares of the top quintile and decile of White recipients was markedly above the other countries listed in Table 1. A crude estimate for the whole of South Africa, using estate data for Natal to generalise about the national distribution, shows that the top 5 per cent of the whole population (including Blacks) owned 88 per cent of personal wealth, dramatically changing the picture shown by comparing Table 7 and Table 1.⁽¹⁾

Table 7 Estimated Shares of the Top 1, 5, 10 and 20 per cent of Wealth Owners by Race, 1975

Percentage share of population	Percentage share of wealth		
	White	Coloured	Asian
Top 1	27,7	42,3	52,1
Top 5	50,7	79,9	80,7
Top 10	65,3	96,2	93,7
Top 20	82,0	99,9	99,4

(1) The distributions for the White, Coloured and Asian populations of Natal were multiplied by the reciprocal of the share of Natal in the total national population of each group. All Black wealth was assumed to be equally distributed, and the share of wealth of non-Whites was assumed to be 6 per cent of the total. This is a conservative estimate since it is based on the actual values of estates and inequality would rise if these values were corrected. There may be a small number of Blacks whose wealth lies in the top decile, and this will also increase the estimate of concentration.

Lorenz Curves for the racial wealth distributions are drawn in Figure 2 and these illustrate the greater degree of inequality which exists in the distribution of Coloured and Asian wealth compared with that of White wealth. Even though this distribution appears more equal amongst Whites, the absolute levels of wealth which divide the higher percentiles of Coloureds and Asians are much lower than those which divide the higher percentiles of Whites. These percentile wealth levels are shown in Table 8.

Figure 2 Lorenz Curves for the Racial Distribution of Wealth

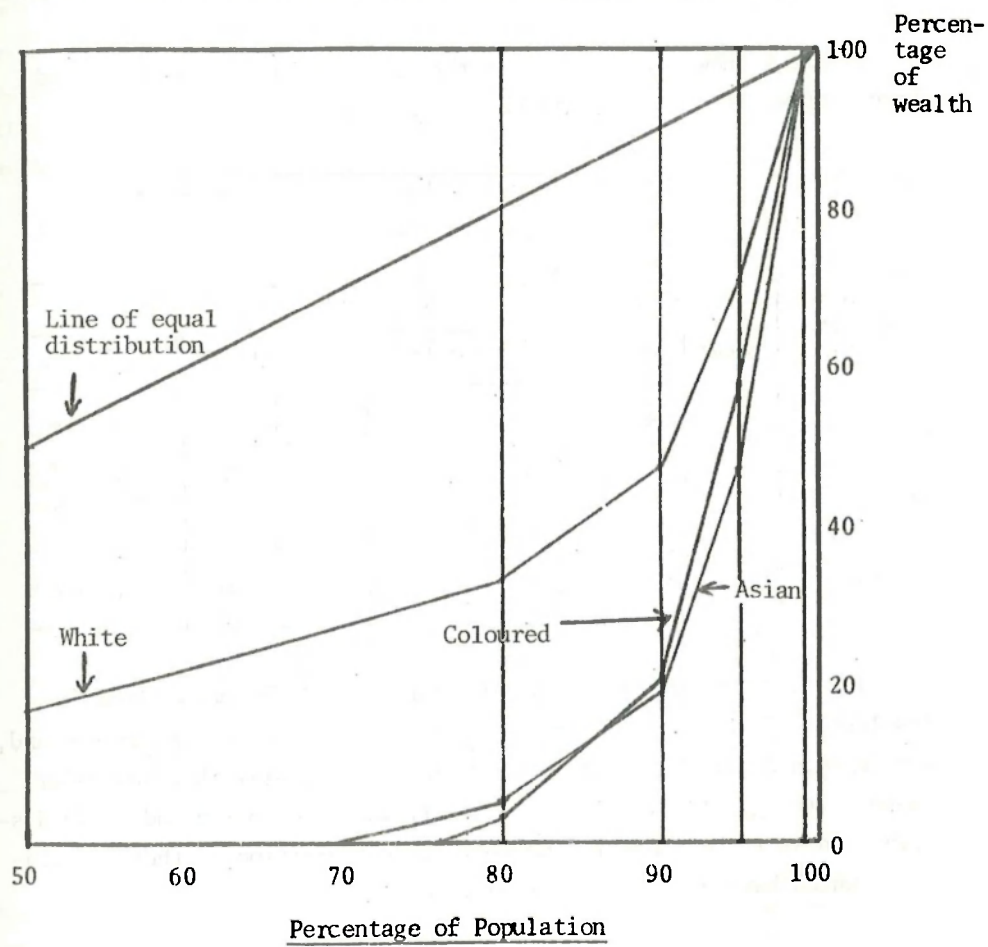


Table 8 Levels of Wealth Dividing the Top Percentiles of the Distribution (R)

Percentiles	White	Coloured	Asian
Top 1	142 194	11 936	33 819
Top 5	50 604	3 535	9 616
Top 10	31 132	1 069	3 426
Top 20	16 312	78	375
Top 50	2 300	0	0

Table 9 shows proportions of the racial groups above specified levels of wealth for the extreme ranges of wealth holdings.

Table 9 Percentages of the Racial Groups above Specified Levels of Wealth

Level of wealth (R)	White			Coloured			Asian		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
1	76	84	69	24	43	7	30	46	14
1 000	60	67	52	11	17	5	19	23	9
5 000	38	46	31	4	6	3	9	13	5
50 000	6	8	4	-	-	-	1	1	1
250 000	neg	1	neg	-	-	-	neg	neg	neg

The distributions shown in this table highlight once again the low levels of wealth of the female population of all racial groups and, when examined together with Table 8, indicate clearly that the major cause of the greater level of inequality in the Coloured and Asian distribution is to be found in the very large proportion of these populations which have negligible personal wealth.

7. WEALTH AND AGE

Life-cycle theories of earnings and savings behaviour lead us to expect that people at the point of retirement will have much greater wealth than those commencing their working careers, or than those who have been retired for some time. Age will therefore be a major factor determining the distribution of wealth. An examination of the distribution of wealth can shed some evidence on the importance which life-cycle factors have as a determinant, for if they are a major consideration we should expect to find considerably less inequality among people of the same age and sex than in the population as a whole. The major causes of inequality would then be attributable to differences between the wealth of men and women, and between people of different age groups.

The average wealth of men and women of each race and age group is shown in Table 10.

Table 10 Per Capita Wealth by Age and Race Group (R)

Age group (years)	White		Coloured		Asian	
	Men	Women	Men	Women	Men	Women
20 - 29	8 828	2 873	707	0	1 111	113
30 - 39	17 116	7 028	615	495	2 055	334
40 - 49	14 030	6 795	1 246	731	3 511	4 662
50 - 64	24 837	12 914	2 453	890	8 457	6 133
65 +	36 959	19 678	883	330	7 264	1 995

This table illustrates that White men in the age group over 65 years have the highest per capita wealth, and these cross-sectional data indicate that the wealth of both White men and women rises on

average over their lifetimes. The per capita wealth of the Coloured and Asian population groups seems to behave in a manner which is more consistent with the life-cycle savings hypothesis, since the wealth of both sexes in these groups increases until the age of 65 is reached and then falls.

The extent of inequality within age groups of the White population is shown in Table 11, using the shares of the highest quintiles and deciles.

Table 11 Inequality by Age Group amongst Whites

Age group (years)	Men		Women	
	Proportion of wealth in age group owned by top			
	5%	10%	5%	10%
20-29	44	59	37	57
30-39	42	57	62	76
40-49	42	61	34	54
50-64	45	60	33	50
65+	50	61	45	61
Total	51	65	51	65

The bottom row of Table 11 shows the concentration in the White distribution taken as a whole.⁽¹⁾ In the case of White men, the share of the top 5 per cent ranges from 42-50 per cent, compared with a share of 51 per cent in the male distribution as a whole. There is less inequality in all age groups than in the distribution as a whole, but the inequalities are still very marked. In the case of women, the share of the top 5 per cent is much higher in one age group (30-39 years) and as much as 18 percentage points lower in the

(1) See Table 7.

other age groups than in the distribution as a whole. A similar result emerges if the shares of the top 10 per cent are taken. The conclusion appears to be that, for the White population at least, although the age distribution can provide some explanation of inequalities in the distribution of wealth, it is not the only factor to be considered.

A similar pattern of inequality by age group has been reported for the British economy (Table 12). In the case of men, it can be seen that the share of the top 5 per cent covers a range between 49-60 per cent, showing very small differences between inequalities within age groups and in the population as a whole. In the case of women, the divergences between the shares of the top 5 per cent in the various age groups and in the population as a whole are more marked, since they straddle the age distribution in a similar manner to those shown for South African White women in Table 11.⁽¹⁾

Table 12 Inequality by Age and Sex Group, Great Britain 1963-67

Age group (years)	Men		Women	
	Proportion of wealth in age group owned by top			
	5%	10%	5%	10%
25-34	50,5	64,1	80,6	92,7
35-44	49,3	63,1	74,6	88,5
45-54	52,7	66,8	66,4	81,2
55-64	51,2	66,0	56,9	71,5
65-74	52,8	68,1	54,1	69,3
75-84	57,1	72,4	53,6	68,8
85+	60,1	74,7	56,8	72,2
Total	58,3	72,7	58,3	72,2

Source: A.B. Atkinson, "The Distribution of Wealth and the Individual Life Cycle", Oxford Economic Papers, Vol 23, No 2, July 1971.

(1) A.B. Atkinson, "The Distribution of Wealth and the Individual Life Cycle", Oxford Economic Papers, vol.23, no.2, July 1971, pp.239-254.

The distribution of wealth by age group also allows an analysis of the relative importance of the various age groups in total wealth. Table 13 shows the shares of wealth by the age classes for men and women within each racial group. A disparity ratio is also given for each group (shown in parentheses in the tables) and this indicates whether the share of wealth of that age group is relatively greater or smaller than the share of that age group in its own population.⁽¹⁾

The share of Coloured men is greater than that of any other racial group in the range of ages from 20-29 years. This is partly accounted for by the relatively higher proportion of the Coloured population in this age group. For Coloureds the share of this age group in wealth is also equal to its share in total population, i.e., its disparity ratio is 1, whereas other racial groups in this age cohort have shares of wealth below their population share. This might be explained by the improved educational and employment opportunities open to younger men compared to the experience of women and older men in the Coloured group.

The age groups over 50 years control the largest share of White wealth. The effects of inheritances and longevity can be seen in the distribution of the wealth of White women amongst whom only those over 65 years have a disparity ratio greater than 1. The results of this table show that life-cycle factors are only one of several which determine the distribution, for if life-cycle factors were the most important we should expect to find that the group over, say, 50 years in the case of Whites, would own nearly all the personal wealth of the

(1) The disparity ratio is defined as :

$$\frac{\text{Share of wealth of group } \theta_{ij} \text{ in the total wealth of population } \theta_j}{\text{Share of group } \theta_{ij} \text{ in total population } \theta_j}$$

A value of 1 indicates that the share of the age group in the wealth of the population is equal to its share of the population. A value greater than 1 shows that the group receives a share of wealth larger than its share of the population, and *vice versa* for a value of less than 1.

Table 13 Percentage Shares of Wealth by Age Group for Whites, Coloureds and Asians

Age group (years)	White			Coloured			Asian		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
20-29	10,6 (0,4)	8,1 (0,6)	2,6 (0,2)	18,0 (0,5)	18,0 (1,0)	0 (0)	9,9 (0,3)	8,9 (0,5)	1,0 (0)
30-39	17,5 (0,9)	12,5 (1,3)	4,9 (0,5)	21,6 (0,8)	11,4 (0,9)	10,2 (0,7)	12,6 (0,5)	10,9 (0,9)	1,8 (0,1)
40-49	14,0 (0,8)	9,4 (1,0)	4,6 (0,5)	25,4 (1,4)	15,5 (1,8)	9,8 (1,1)	28,9 (1,7)	12,7 (1,5)	16,2 (1,9)
50-64	31,9 (1,4)	20,3 (1,8)	11,5 (0,9)	30,5 (2,3)	20,8 (3,6)	9,7 (1,3)	41,0 (3,0)	25,0 (3,5)	16,0 (2,5)
65+	26,0 (1,9)	14,5 (2,7)	11,5 (1,4)	4,5 (0,8)	2,9 (1,3)	1,6 (0,5)	7,6 (2,0)	6,1 (3,1)	1,4 (0,8)
Total	100,0	64,8 (1,3)	35,1 (0,7)	100,0	68,6 (1,5)	31,3 (0,6)	100,0	63,6 (1,3)	36,4 (0,7)

White population.

In the case of Coloureds, wealth appears to be slightly more evenly divided among age groups than is the case for Whites and Asians, although the distribution of Coloured wealth between men and women is less equal than in the case of Whites and Asians. The effects of life-cycle factors can be seen in the case of Asian men where the disparity ratio rises to its highest level in the 50-64 years age group and then decreases.

8. OCCUPATIONS AND WEALTH

An analysis of the effects of education, occupation and saving on the distribution of wealth could contribute insights into its determinants. Average levels of income usually rise with additional years of education completed, and so too does the occupational grade which is attained.⁽¹⁾ We would expect therefore that wealth and occupation would be related. The estate data allow an analysis of occupation and wealth, although it is unfortunate that these data cannot be coupled in a linear regression model with data on the propensity to save, levels of education and incomes.

The average levels of wealth of selected occupational groups are shown in Table 14.

Table 14 Average Wealth of Economically Active Men in Selected Occupational Groups, 1975 (R)

	White	Coloured	Asian
Professional/technical	56 190	5 230	24 490
Director/manager	100 670	24 860	49 670
Senior civil servant	25 230	-	27 290
Farmer	121 250	4 960	30 610
Salesman/sales representative	38 070	-	10 790
Clerical worker	18 370	1 260	8 690
Artisan/skilled worker	18 080	4 660	14 120
Semi-skilled worker	15 930	2 780	8 580
Unskilled worker	8 700	170	4 450

(1) Evidence for South Africa can be obtained from Trotter, *op cit*, and Knight and McGrath, *op cit*.

The results of this table confirm the intuitive prediction that economists would have made. Amongst White men, farming is the occupation with the highest average wealth, and this is consistent with estimates of income which can be made from the 1970 census. Occupations requiring higher levels of education and discretion in decision making usually earn high incomes, and the data show that they also have higher-than-average levels of wealth. The large inequalities which exist between the wealth of Whites, Coloureds and Asians in the same occupational groups show the effects of wage discrimination within occupational groups, the inevitably lowered savings from lower incomes, and lower rates of return on small wealth holdings.⁽¹⁾ Accumulation by past generations of Coloureds and Asians was also prevented by discriminatory practices in the labour market and in their deprived access to education and training, depressing the levels of inheritances received by the present generation and causing some of the current disparities in the racial ownership of wealth.

The relationship between occupational group and wealth can be illustrated further by examining the proportions of men which fall into the top quintile and decile of the wealthy. Table 15 shows these proportions for Whites.

For White men very large proportions of professionals, managers and farmers fall into the top decile of wealth owners, whereas artisans, semi-skilled and unskilled workers fall predominantly into lower deciles.

It is interesting to compare this distribution with the results of a study on the perceived prestige of occupations, which was conducted amongst White families in the 1960s.⁽²⁾ Respondents, who were drawn from a stratified sample of adults, were asked to rank occupations on a

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- (1) The occupational category "Senior Civil Servant" appears to be an exception. However the sample of Asians in this group was extremely small and may be unrepresentative.
- (2) P. Stopforth & L. Schlemmer, Prestige and Socio-economic Rank Order of Occupations and Occupational Groupings in South Africa, Durban: Centre for Applied Social Sciences, University of Natal, 1978.

Table 15 Percentages of White Men in Selected Occupational Groups falling into the Top 5 and Top 10 per cent of Wealth Owners

Occupational group	Top 5%	Top 10%
Professional/technical	21,3	40,3
Director/manager	21,5	36,5
Senior civil servant	6,9	13,6
Farmer	47,7	57,6
Salesman/representative	7,6	19,6
Clerical worker	0,7	13,0
Artisan/skilled worker	1,4	5,3
Semi-skilled worker	3,0	3,4
Unskilled worker	-	-
Retired	13,1	22,0

scale ranging from 'excellent' to 'poor'. A mean rating of these rankings was obtained and this was used to rank occupations in terms of their socio-economic prestige. In total 114 occupations were ranked. Of those which were ranked amongst the 20 most prestigious, 70 per cent were of a professional nature and 20 per cent were senior civil administration occupations.⁽¹⁾ The first rankings of businessmen occurred only in the second 20 ranked occupations, which also contained professional and civil service occupations, and large farmers. Semi-skilled and unskilled occupations predominated in the lowest-ranked group, with white-collar positions located towards the middle of the scale. It appears that the correspondence between wealth and prestige is almost perfect in the case of occupations which are not regarded as being prestigious. The association of wealth and occupational prestige weakened in terms of the rankings of the prestige of the highest 40 occupations.

(1) The others were Cabinet Minister and Member of Parliament.

The contrast is interesting since it indicates that wealth alone is not the only factor which determines social status. Occupations involving high levels of discretion and service to the community (such as Judge and Professor) and positions in the government (such as Cabinet Minister and Member of Parliament) are ranked more highly in terms of prestige than are occupations associated with the higher levels of wealth.⁽¹⁾ However, wealth does have an effect on occupational prestige and this is illustrated by the difference between Stopforth's results and the results of similar studies undertaken abroad, where farming has been found to rank towards the bottom of the prestige rankings. Farmers in the other countries studied have much lower relative levels of wealth than is the case of White farmers in South Africa.⁽²⁾ If there is a relationship between social status and power in South African society, then it is clear that wealth alone will not be the single major determinant of power.

(1) A cynical interpretation might be that the majority of people have very little perception of relative inequalities of wealth. A recent article sums this up by reporting: "...the rich try not to call attention to themselves. Understandably the truly rich shun publicity". See "The Rich at Play", supplement to the Financial Mail, 3 December 1982.

(2) The writer is grateful to Peter Stopforth for contributing this interesting information.

9. OTHER FACTORS WHICH EXPLAIN THE
DISTRIBUTION

Thus far, race, occupational status, age and sex have been shown to be factors which have an important influence on the distribution of wealth. A technique which can be used to examine these relationships more explicitly is discriminant analysis. This is a statistical method of distinguishing between cases (in this study they are the levels of wealth of specified percentiles of the population) in terms of discriminating variables that measure characteristics on which groups are expected to differ (such as age, sex and occupation). The analysis of variance is used to determine which combinations of variables distinguish best between the cases.⁽¹⁾ Discriminant analysis was performed respectively on the distribution of wealth by specified percentiles of the population of Whites, Coloured and Asians. The discriminating variables which were used were age, sex and occupation.⁽²⁾

(1) A detailed discussion of the technique and definitions of the parameters can be found in N.D. Nie *et al*, Statistical Package for the Social Sciences, 2nd ed., New York: McGraw Hill, 1975, and W.W. Cooley and P.R. Lohnes, Multivariate Data Analysis, New York: Wiley, 1971. An interesting application and a good discussion of the procedure when applied to international financial regimes can be found in P. Holden, The Demand for International Reserves and the Choice of Exchange Rate Regime: An Empirical Analysis, unpublished doctoral dissertation, Durham, N.C.: Duke University, 1976, pp. 112-166.

(2) For Whites the percentiles of the population which were used were: top 1%, next 4,5,10,30 and bottom 49%; for Asians and Coloureds respectively: top 1%, next 4,5,10 and bottom 79%. Occupations were re-grouped for the discriminant analysis into major groups based on relative levels of wealth. They were: farmer; higher wealth made up of professional, director/manager and senior civil servant; white collar made up of clerical and sales representative; blue collar made up of artisan/skilled, semi-skilled and unskilled; and not economically active and unemployed.

The resulting discriminant functions which were fitted, using a stepwise technique to exclude redundant variables, were statistically significant at the highest levels of confidence.⁽¹⁾

Discriminant analysis can be used to perform two functions. The first of these is the analysis of discriminating variables. The interpretation of the results is a lengthy and complex exercise, and will not be presented in this paper. The analysis of the discriminating variables did, however, support the conclusions of Sections 6, 7 and 8.

A second major use of discriminant analysis is classification. The discriminant functions can be used to estimate the likely percentile of the distribution, where information on the discriminating variables is all that is available. If the discriminant functions are applied to the data from which they have been estimated, and the predicted wealth distribution is compared with the actual, we obtain a measure of the percentage of the known cases which are correctly classified by these functions. A low proportion of cases correctly classified indicates a large overlapping in the groups of discriminating variables. Although the discrimination may be statistically significant, the classification test will have revealed an inability in terms of the discriminating variables to separate the groups of wealth holders, signifying that other factors which have an important influence on the distribution have been omitted. The results of applying the classification tests to the discriminant functions estimated for Whites, Coloureds and Asians are shown in Tables 16 and 17 (p.38).

(1) The chi-squared values for the discriminant functions are shown below. Degrees of freedom are stated in parentheses.

	Discriminant Function			
	1	2	3	4
White	92 535 (30)	25 764 (20)	11 642 (12)	2 582 (6)
Coloured	32 188 (24)	5 265 (15)	976 (8)	257 (3)
Asian	134 930 (24)	18 650 (15)	4 168 (8)	- (-)

Table 16 Percentages of Grouped Cases Classified Correctly
by Discriminant Functions Estimated on the White
Wealth Distribution

Percentiles of population	Percentage of cases classified correctly
Bottom 49	84,0
50 - 79	36,0
80 - 89	2,2
90 - 94	0,0
95 - 99	10,4
100	20,7
Total	53,3

Table 17 Percentages of Grouped Cases Classified Correctly
by Discriminant Functions Estimated on the Colou-
red and Asian Wealth Distribution

Percentiles of population	Percentage of cases classified correctly	
	Coloured	Asian
Bottom 79	92,9	89,8
80 - 89	75,5	62,7
90 - 94	16,7	2,6
95 - 99	17,0	18,2
100	10,8	8,8
Total	82,7	78,6

The proportion of White cases classified correctly by the discriminant functions is relatively low when compared with the results for Coloureds and Asians. The discriminant functions perform best on the percentiles with relatively low wealth, i.e., the lowest 49 percentiles

of Whites and the lowest 79 percentiles of Coloureds and Asians. The groups of wealth holders between the 80th and 94th percentile are most inadequately predicted for Whites, as is the group between the 90th and 94th percentile of Asians. The cause is most probably a considerable overlapping of the characteristics of these percentiles with those of the percentiles which surround them.⁽¹⁾ Some of the error in all ranges may be the result of the relatively small number of age and occupational groups which have been used, for a wide range of income and savings behaviour can exist within these groups. The low predictive power of the discriminant functions in the higher ranges of the distribution may indicate that variables which are not included in the discriminant function are at work. Chance factors may provide some explanation, e.g., some low-skilled workers may be in the higher percentiles because of good fortune at the races, whereas bad luck at casinos may have lowered the wealth of some professionals. The inheritance of wealth accumulated by earlier generations will undoubtedly explain some of these differences, and it is quite possible that the influence of inheritance becomes a more important factor in the top percentiles of the distribution.

The discriminant analysis shows that although age, sex and occupation are important variables influencing the distribution of wealth, a considerable unexplained residual exists. This is largest for the White population, and a proportion of this is undoubtedly caused by inheritances. The contribution which inheritance makes to the distribution of wealth in South Africa can be known only when studies of the inter-

(1) A plot of the group centroids of the first and second discriminant functions and the corresponding groups of discriminating variables shows that the centroids for the White population are relatively close together and that there is a considerable overlapping between the cases. This immediately indicates that there will be low predictive power in the discriminant functions. There is slightly less overlapping in groups of discriminating variables respectively for Coloureds and Asians. See Nie, *op cit*, pp. 440-441.

generational transmission of capital have been made.⁽¹⁾

(1) Harbury undertook to trace the relationship between current and inherited wealth in Britain for 618 highly valued estates lodged in 1956 and 1957. His method required tracing the will of the parents of the deceased and examining their bequest. It is doubtful that a study of this sort could be undertaken in South Africa because birth and death, and estate data are not centralised as in Britain. See C.D.Harbury "Inheritance and the Distribution of Personal Wealth in Britain", Economic Journal, vol.72 no.4, December 1982, pp. 845-868.

10. THE OWNERSHIP OF ASSETS

The value of privately owned farms, fixed property, and quoted and unquoted shares (including shares in partnerships) was also extracted from the estate records, and these data can be used to give an idea of the ownership of these assets. In 1975 the Black share of each of these assets was probably insignificantly small, and the estimates for the South African economy which follow are weighted in the proportions of the total population of Whites, Coloureds and Asians. The private ownership of all these assets was highly concentrated by race since Whites owned 98 per cent of farms, 93 per cent of fixed property, 99,7 per cent of quoted shares, and 95,7 of unquoted shares.

An analysis of the distribution of these assets within the White population will therefore give a good approximation of their distribution in the population (Table 18).

Table 18 The Distribution of Ownership of Selected Assets
in the White Population

Percentage share of population	Percentage Share of Total Value				
	All wealth	Farms	Fixed property	Quoted shares	Unquoted shares
Top 1	27,7	55	15	44	54
Top 5	50,7	88	33	76	79
Top 10	65,3	95	51	84	92
Top 20	82,0	98	78	92	95
Top 50	98,4	100	99	98	100

These results are likely to be conservative for the extent of concentration will be underestimated if the ultra-large fortunes are owned by people who reside outside Natal. The results show a pronounced concentration of economic power within the higher echelons of White wealth

owners. The ownership of these assets, with the exception of fixed property, is markedly concentrated in the higher percentiles: the top 10 per cent own 95 per cent, 84 per cent and 92 per cent respectively of the value of privately-owned farms, quoted shares and unquoted shares. The distribution of the income accruing from these sources is likely to be even more highly concentrated since all these assets yield relatively high real rates of return over the course of the business cycle.

11. THE SUPER RICH

Everyday observation is enough to give an impression of the wealth of John Citizen, but the numbers and wealth of the super rich are often only a matter of speculation. The analysis which follows is probably best thought of as a piece of academic fiction because it is based on data about a small absolute number of estates, with the result that large sampling errors may have arisen. The multipliers which were applied to the estate data were not adjusted for social class, and if the super rich outlive the average person in their age group, then these numbers in the population also will have been underestimated. Any undervaluation of their assets will result in an underestimation of their wealth.⁽¹⁾ The results also may underestimate the wealth and value of assets of the super rich if the wealth of the highest groups outside Natal is considerably above the figures for Natal. The proportions in the population are, however, likely to be fairly reliable since as was shown in Section 6, the distribution of estates in Natal for 1975 was statistically indistinguishable from that for South Africa as a whole.

The super rich are defined here as people whose wealth exceeded R250 000 in 1974/75, which is the equivalent of more than R600 000 in 1982 prices. A small fraction of the population of Whites and Asians fell into this group, but there were no Coloureds within reach of this level of wealth.⁽²⁾ The average wealth of the super rich was R479 600. The average gross values of the assets of Whites in the category were: farms, R215 900, fixed property R178 400, quoted shares R115 000 and unquoted shares R145 600.

Men made up 72 per cent of this class, which was concentrated in

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- (1) The submission of these accounts was in every case the result of the work of specialist executors.
 - (2) The proportions were 0,34% of the White and 0,072% of the Asian population of Natal.

the higher age groups as 50 per cent were aged over 65 years and a further 42 per cent between 50-64 years. This group of super-rich persons was divided almost equally between economically-active and inactive persons, since an estimated 45 per cent of their occupations were listed as 'retired' or 'housewife'. The economically-active categories consisted of farmers, directors and professionals, which constituted 31 per cent, 20 per cent and 4 per cent of the group respectively.

An investigation of how these large sums of wealth were accumulated would undoubtedly produce a fascinating piece of social and economic history.

12. WEALTH AND INCOME INEQUALITY IN SOUTH AFRICA

The historical forces which have operated to concentrate wealth in South Africa are in many respects similar to those in other economies. Atkinson has stressed accumulation, enterprise, and marriage and inheritance practices as being the most important factors which have concentrated the ownership of wealth in Britain.⁽¹⁾ Since the early years of the Union in 1910, average White per capita incomes have been at least 11 times greater than the Black average, and this has allowed wealth to accumulate in White hands through personal saving. The access which Whites have had to entrepreneurial openings in the economy, and to the ownership of agricultural land, have probably been as important as accumulation from earnings in concentrating the ownership of wealth in this section of the population. There are no studies of marriage customs in South Africa but it seems likely that marriages will tend to take place within socio-economic classes and operate in the main to reinforce the concentration of wealth. Even if there is inter-class marriage amongst Whites, the Mixed Marriages Act operates to prevent wealth being spread beyond this community. Once substantial concentrations of wealth have been established, inheritance practices, coupled with intra-class marriages, will tend to perpetuate the pattern.

The concentration of wealth and the income from wealth are important variables shaping the unequal distribution of racial incomes in South Africa, and their operation can be illustrated by adapting a model suggested by Meade. The share of Whites in personal income (i_w) depends on their share of income from wealth (p_w), on the share of wage income in personal income (q), and their share of wage income (l_w), i.e.,

$$i_w = p_w (1-q) + l_w q \quad (2)$$

(1) Atkinson, *Unequal Shares*, *op cit*, pp. 45-76.

(2) See Meade, *op cit*, pp. 28-29.

Table 19 shows the implications for the White share of income of the actual value and several hypothetical values of the components of i_w .

Table 19 The White Share of Income and the Distribution of Income from Work and Wealth

	q	p_w	l_w	i_w	$\frac{p_w(1-q)}{i_w}$
(1) Actual 1975 distribution	0,87	0,94	0,60	0,64	0,19
(2) Wealth incomes (p_w) distributed in the same ratio as actual personal income	0,87	0,64	0,60	0,60	0,14
(3) Work incomes (l_w) with no occupation or wage discrimination (excluding agriculture)	0,87	0,94	0,25	0,35	0,36

Note: The share of White income is less than the usual estimate because transfer payments have been excluded from total personal income for this analysis.

The table shows that in 1975 incomes from wealth contributed almost one-fifth of White incomes (row 1). If the income from wealth were more equally distributed (say, in the same ratio as 1975 incomes, i.e., $p_w = 0,64$), the White share of personal income would fall and so, too, would the share of wealth incomes in White incomes. A more likely possibility is that earnings inequalities will decrease, i.e., l_w will decrease, but that wealth incomes will remain highly concentrated. For this case (row 3), l_w is assumed to fall to 0,25 because all wage and occupational discrimination has disappeared from employment outside agriculture. In this last scenario the effects of the concentration of wealth become much more visible, for wealth incomes now add an additional

50 per cent to White incomes and perpetuate racial income disparities.

The concentration of the ownership of wealth is an important factor influencing the disparity of racial incomes. This illustrative analysis shows that it will act as a force tending to perpetuate racial income inequality, even if opportunities in the labour market are working towards equalising incomes.

In Section 4 we reported that an increase in the private ownership of housing in Britain had an important equalising effect on the distribution of wealth. If the real wages of Blacks grow at a faster rate than those of Whites, and if there is a significant extension of home-ownership rights to Blacks and a resulting increase in their savings propensity, then there might be some decrease in the level of the disparity between the average wealth of these two race groups. Blacks will not enter the higher percentiles of the wealth distribution via this route, even if it does open. In this context it is instructive to remember Josiah Wedgwood's comments on thrift and accumulation:

"It is obvious, indeed, that mere 'thrift' never made a poor man rich. And for 'industry' to prove a philosopher's stone, it must take great risks and be combined with exceptional luck or exceptional talent. Both industry and thrift are certainly necessary qualities for the accumulator of property, but they are not in themselves the chief source of great fortunes. No poor man who sticks ... to the securer forms of employment for his labour and savings, can hope to leave much property to his descendants ... however miserly his thrift".⁽¹⁾

A widening of access to entrepreneurial opportunities, the opening of central business areas to competition by entrepreneurs and professionals of all races, and the training and financing of Black entrepreneurs, will be necessary to allow Blacks to rise in the wealth distribution. The incorporation of Black farmers in the financing and

(1) J. Wedgwood, *The Economics of Inheritance*, London: Penguin, 1939, p. 175, cited in Atkinson, *Unequal Shares*, *op cit*, p.56.

marketing schemes which have enhanced the wealth of the White farming community, will also contribute to raising the relative wealth of Blacks.

13. RACIAL JUSTICE AND THE DISTRIBUTION OF WEALTH

Before South Africa can even begin to claim to be a just society, all forms of racial discrimination will have to be removed. Many lessons can be learned from the attempts to desegregate American society. The American experience has shown that the removal of overt discrimination is not enough to counter inequalities, and each corrective action against a manifestation of inequality uncovers additional features that had not been previously considered. Savage states the problem very clearly:

"The critical lesson that South Africa can learn from American efforts to desegregate can be quite simply put: the imposition of equal practices on historically unequal conditions does not lead automatically to the desired goal of overcoming discrimination and institutionalized racial inequalities. For as the office of Civil Rights has pointed out, unless positive action is taken to overcome the effects of systematic institutional forms of discrimination and exclusion, then benign neutrality will perpetuate the status quo ante indefinitely. It is not enough merely to stop discriminatory practices, one must take positive action to combat their past effects Adam Smith's 'invisible hand' is not going to help us in overcoming discrimination and in mounting a combat against the socially structured deficits faced by certain groups. The past effects of discrimination must be considered in any programme aimed at the removal of existing discrimination and *it is totally inadequate to plead only for the imposition of equal practices on historically unequal conditions*". (1)

The most glaring manifestation of inequality in South Africa is found in the distribution of income. This paper has shown that even if labour incomes become more equal between racial groups, the concentration of wealth ownership, caused by the past privileges of Whites, will perpetuate inequalities. The concentration of wealth is thus one

(1) M. Savage, "Costs of Enforcing Apartheid and Problems of Change", African Affairs, vol. 76 no. 304, July 1977, pp. 288-289.

of the historically unequal conditions to which Savage refers. Other historically unequal conditions lie in the areas of education, health services and housing, and in the level of development of rural areas in the homelands. Inequalities in the labour market will not narrow substantially before improvements are made in each of these avenues. The finance must, of necessity, be provided in the main by the White community.

The freeing of market forces in South Africa is advocated because of the efficiency of the market, but economists, as opposed to polemicists, realise that there can be an infinite number of production and exchange optima. The actual equilibrium will be determined by the distribution of income, and will be socially desirable only if this distribution corresponds with society's preferences. If the goal of the White community is long-run survival and long-run income maximisation, then a rational strategy would seem to be to encourage the growth of Black incomes and to narrow inequalities. The present distribution, under these conditions, will not even correspond with the White community's preferences. The experience of Mozambique, Angola and Rhodesia has shown that South Africa might not have a long time-period in which to institute reforms, and the operation of the labour market alone cannot be relied on without substantial intervention. A strong case can therefore be made for redistributing wealth through taxation, and for using the proceeds of these taxes in ways which will ensure the growth of Black incomes.

The main argument for the taxation of wealth is to promote equality, and the desire to reduce inequalities in the distribution of income rests on a value judgement which would not be acceptable to all. In South Africa, however, wealth taxation is an established practice. The issue is therefore not whether wealth taxation should be introduced, but rather whether the rates are appropriate and whether the form of the tax can achieve its goals.

The wealth tax in operation is an estate tax, i.e., it is levied

on the estates of deceased persons. Its contribution to total tax revenue is shown in Table 20.

Table 20 The Contribution of Estate Taxes to Total Central Government Revenues for Selected Years, 1925 - 1979 (R'000)

Year	Estate Tax	Total Revenue	Percentage
1925	1 986	25 428	4,5
1926	1 220	27 008	
1927	1 242	29 082	
1928	1 462	30 740	
1947	9 598	169 272	6,0
1948	8 858	153 938	
1949	11 206	174 640	
1950	12 162	201 048	
1957	3 880	395 843	0,7
1958	3 013	399 905	
1959	3 002	402 745	
1960	3 003	428 408	
1963	3 009	512 814	0,5
1964	3 004	620 480	
1965	3 003	699 862	
1966	3 003	782 407	
1975/76	37 850	4 434 360	0,01
1976/77	43 260	5 348 579	
1977/78	43 431	5 789 462	
1978/79	45 484	7 191 129	

Source: Report of the Commissioner for Inland Revenue, 1928-29, UG 10.30; 49-50, UG47,51; 59-61, UG28/61; Government Printer, Pretoria.
Report of the Secretary for Inland Revenue, 1961-62, RP52/1963; 1965-66; RP73/1967, Government Printer, Pretoria.
Report of the Controller and Auditor General for the Financial Year, 1976-77, RP80/1977; 1978-79; RP85/1979, Government Printer, Pretoria.

The striking feature of this table is that the relative importance of estate taxes in total government revenue has fallen dramatically since the 1920s, until its yield has now shrunk to almost negligible proportions and in fact decreased in real terms between 1975/76-1978/79. Increases in the level of abatements granted in both the 1980

and 1981 budgets will have tended to prevent fiscal drag from operating to increase its yield in recent years. The estate duty imposes a relatively small burden on the heirs of deceased persons. In 1977, all estates valued at less than R25 000 were exempted from estate taxation. In the same year, there were 107 estates with gross assets in excess of R500 000 and with an average value of R860 790. Statutory and allowable abatements reduced the dutiable amount of these estates to an average value of R555 790, and the tax paid averaged 20 per cent of their gross value.⁽¹⁾ By contrast, in the United States in 1969, the average rate of tax on estates with values of over \$500 000 was 32 per cent.⁽²⁾ The tax in South Africa imposes a relatively small burden on large, and no burden at all on small, estates.

If racial income inequalities are to be narrowed, a range of policies will have to be implemented in education, health, housing and rural development. A contribution to the revenue to finance these policies can be made by taxing wealth. Estate and gift duties in America yield approximately 2,3 per cent of the Federal Government's revenue,⁽³⁾ and if South African rates were adjusted to attain the same yield, the tax would have generated revenue in 1978/79 which was equal to one-third of the total grant from the Central Government to the Transkei, Bophuthatswana and the non-independent homelands. The existing estate tax is potentially a valuable source of finance for accelerating expenditures on the supply of social and human capital to Blacks, without an increase in the rates of taxes on current income or consumption.

Estate duties, however, may not be the most efficient or equitable form of tax for achieving the purpose of redistribution of wealth. British experience has shown that they are relatively easy to avoid and that new loopholes can be discovered in response to increases in the rate of

(1) From unpublished data supplied by the Department of Inland Revenue.

(2) R.A. Musgrave and P.B. Musgrave, Public Finance in Theory and Practice, New York: McGraw Hill, 1976, p. 363.

(3) *Ibid*, p. 391.

duty.⁽¹⁾ In South Africa the formation of trusts *inter vivos* may be becoming a widespread practice amongst the rich, and these trusts can avoid the full rate of estate duty since their assets are taxed at their value at the date of their creations.⁽²⁾ If estate taxes can be avoided they negate one of Adam Smith's canons of taxation that "the tax which each individual is bound to pay ought to be certain and not arbitrary".⁽³⁾ They will cause problems of horizontal equity in the tax system if different rates of duty are paid on what are effectively estates of the same size. The estate duty does have the merit of being easy to administer, and probably has the merit of not harming the incentives to save and invest.

The time may have arrived for a complete reappraisal of South Africa's system of personal wealth taxation, since there is a pressing need for additional finance to be channelled to the development of the Black community and the present estate duty seems a relatively inefficient and inequitable form of taxation. This reappraisal should consider alternative forms of taxation of wealth as well as the rates of duty and the system of exemptions from the existing estate duty. Some alternatives, or possibly complements, to the estate duty, which should be considered are: inheritance taxes and gift taxes payable by the recipient, based on the accumulated value of lifetime accruals; wealth taxes which are paid on the annual value of the net worth of the tax-paying unit; an increase in the rate of taxation on income from wealth; and an abolition of the exemption from income taxation which exists on many financial assets, e.g., post office savings bank certificates and building society tax-free shares.⁽⁴⁾ Each alternative would require a careful evaluation with regard to its administrative feasibility; the revenue which would be yielded; the effects on the propensity to save, work and bear risks; horizontal equity; and the degree to which the taxes can be avoided.

(1) See C.T. Sandford, Taxing Personal Wealth, London: Allen and Unwin, 1971, pp. 84-89.

(2) The writer is grateful to Paddy Summers who offered this information.

(3) Cited in Atkinson, Unequal Shares, *op cit*, p.105.

(4) This would have the merit of forcing these institutions to pay market prices for their funds. If subsidies are needed they could then be given explicitly by the State, if they are warranted.

14. SUMMARY AND CONCLUSION

This paper has analysed the distribution of income from wealth which can be used as a surrogate for the distribution of wealth, and has attempted a direct estimate of that distribution. Both estimates showed that the racial distribution of wealth is more unequal than that of incomes, and that this inequality will work against any equalising forces which may operate in the labour market.

A crude estimate of the distribution of income from wealth, based on household expenditure surveys in 1975, showed that the White share was at least 94 per cent of the total, whereas the White share of personal income in 1975 has been estimated at 68 per cent. An estimate showed that the top 10 per cent of the South African population received at least 75 per cent of the income from wealth, even though this estimate was based on very conservative assumptions.

Mortality multipliers were used to estimate the distribution of wealth. This method has often been used for this purpose in Britain and the United States, but it is the first time that it has been applied in South Africa. The results of the estimates revealed that the ownership of private wealth is more concentrated in South Africa than in the developed Western nations. In South Africa the top 5 per cent of wealth owners accounted for 88 per cent of personally-owned wealth, whereas the top 5 per cent owned 54 per cent of wealth in Britain, 34 per cent in West Germany, 44 per cent in the United States and 57 per cent in Australia. The results also show clearly the stark economic class divisions which exist within White society. The top 5 per cent of Whites own 51 per cent and the top 10 per cent own 65 per cent, of the total wealth of this race group, showing that White-owned wealth is distributed more equally than that of Britain and Australia, although it is less equally distributed than that of the United States, France and Germany.

The average value of the per capita wealth of Whites was respec-

tively 20 and 5,7 times greater than that of Coloureds and Asians, whereas the income disparities between Whites and Coloureds, and Whites and Asians, have been estimated at 5,8 and 4,5 respectively. These statistics show that racial inequalities in the ownership of wealth are much greater than in the distribution of income. The sources of these disparities are to be found in inequalities of income and saving in past years, and in differences in the rates of return which have been earned on various types of assets.

Large inequalities were also found between men and women. Thus the average wealth of White, Coloured and Asian men is respectively 2,0, 2,5 and 1,8 times greater than the wealth of women, reflecting the lower earnings and levels of participation of women, as well as the division of assets within families where men appear to predominate in the nominal ownership of family wealth.

The results show a pronounced concentration of economic power within the higher echelons of White wealth-owners. The top 5 per cent of the White population owned by value 86 per cent of privately-owned farms, 84 per cent of privately-owned quoted shares, and 98 per cent of privately-owned unquoted shares.

Large proportions of all racial groups over the age of 20 years had negligible wealth, and even 24 per cent of the White population had zero wealth. The age groups over 50 years control the largest share of the wealth of Whites and Asians, whereas the wealth of the Coloured population is more evenly spread among age groups.

Occupations associated with higher levels of income were also found to be associated with the highest average levels of wealth. Farming, managerial and professional occupations were associated with the highest levels of White wealth, with the average wealth of farmers exceeding the average wealth of the director/manager group by 20 per cent and being almost twice as great as the average wealth of the professional group. Large inequalities were found to exist, within the

same occupational level, between the wealth of White, Coloured and Asian men, reflecting the effects of wage discrimination, lower returns on assets, lowered savings propensities and smaller inheritances of wealth for the Coloured and Asian groups. It was not possible, however, to pursue this analysis further by relating the wealth data to savings propensities, levels of education and income in a regression model.

Large proportions of White farmers, director/managers and professionals were found to fall into the highest decile of wealth owners, but a comparison with Stopforth and Schlemmer's analysis of prestige rankings of occupations revealed that wealth alone was not the only determinant of occupational prestige. If there is a link between social status and power in society, then these findings might indicate that wealth alone will not be the major determinant of power.

Discriminant analysis performed on specified percentiles of the White, Coloured and Asian distributions of wealth confirmed the importance of age, sex and occupation as discriminating variables, but the discriminant functions which were obtained had relatively poor powers of classification. A partial explanation might be found in the failure to include the effects of inheritances in the discriminant functions.

The study also analysed the characteristics of the 'super-rich' members of South African society, which until now have been only a matter for speculation. The 'super rich' were defined as people whose wealth exceeded R250 000 in 1975, which is the equivalent of more than R600 000 in 1982 prices. Only 0,34 per cent and 0,07 per cent of the population of Whites and Asians respectively fell into this group. Men made up the majority of this class, which was concentrated in the higher age groups. This group of super-rich persons was divided almost equally between economically-active and inactive persons. The economically-active categories consisted of farmers, directors and professionals, which constituted 31 per cent, 20 per cent and 4 per cent

of the group respectively.

The possibility of errors and biases has been stressed throughout the paper. The results which have been presented most probably represent conservative estimates but they should nevertheless be interpreted with care.

This study will, it is hoped, represent the start of further research on the distribution of wealth in South Africa. The estimates for Natal could be greatly improved if data were drawn for a three- or four-year period and averaged, thereby partially eliminating problems associated with small numbers of estates in younger age-groups.⁽¹⁾ The mortality multipliers could be improved if mortality rates were available for occupational groups.⁽²⁾ The tentative conclusions made about the national distribution can be tested only when national data have been assembled, and an analysis of changing patterns of ownership and concentration from the earlier years of the economy's development could add an important new chapter to South Africa's economic history.

The estimates in this paper highlight the relationship between the distribution of wealth and that of income. If racial income inequalities are to be narrowed, a range of policies will have to be implemented in education, health, housing and rural development. A contribution to the financing of these policies can be made by taxing wealth, thereby avoiding both the harmful incentive effects associated with increased rates of income taxation and the regressive effects of higher sales taxes. The yield from estate duty has fallen over time to negligible proportions in government revenue. A substantial contribution could be made to meeting the costs of developing the services provided to the Black community if the rate of estate duty were increased. Estate duties are, however, relatively inefficient and inequitable forms of taxation.

(1) This would also help actuarial predictions. At present actuaries are forced to make *ad hoc* adjustments to life tables because mortality data by occupation are not published by Central Statistical Services.

(2) See Atkinson, "The Distribution of Wealth...", *op cit*, p.247.

Only the most myopic of observers could deny that the survival of capitalism and the future security of the White community in South Africa requires urgent, imaginative reforms in the economic, social and political fields, but the time left for implementing these reforms is limited. A redistribution of opportunities, incomes and wealth is needed to induce Black South Africans to desire the perpetuation of a 'free-enterprise' economic system. A restructuring of the system of wealth taxation is an urgent priority in such a programme of reform.

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