

From: W Gonzalez  
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INLAND REVENUE  
STATISTICS DIVISION  
SOMERSET HOUSE

File

1. MR WALTON *Note at end J.W.S.W. 31/10*
2. MR ISAAC *Not seen.*
3. PRIME MINISTER

#### DISTRIBUTION OF PERSONAL WEALTH

1. You asked for briefing on the latest estimates of the distribution of wealth among the adult population published this week in Inland Revenue Statistics 1984.

2. The estimates cover both marketable wealth and this together with the present value of pension rights. (The tables are attached). They indicate that the long term trend towards greater equality was interrupted in 1981 and 1982 and this has caused some press comment.

3. There has been a gradual trend towards greater equality which is largely the result of increasing home ownership coupled with the accumulation of occupational and state pension rights in place of direct holdings of company shares. However changes from year to year take place because of differential movements in asset prices. Houses are predominantly held by people with moderate amounts <sup>of</sup> wealth whilst company securities tend to be held directly by the more wealthy. In the years immediately before 1980 house prices rose more rapidly than share prices, which reinforced the underlying trend towards greater equality. In 1981 and 1982 the price changes were

	Ordinary Shares %	Houses %
1981	+13.5	+5.5
1982	+11.1	+2.5

cc. Chancellor of the Exchequer  
Financial Secretary  
Mr Folger, Treasury  
Mr G P Smith, Treasury  
Mr D Ramprakash, CSO

Chairman  
Mr Isaac  
Mr Houghton  
Mr Walton  
Mr Gonzalez  
Mr Morgan  
Mr Brown  
Mr Sullivan

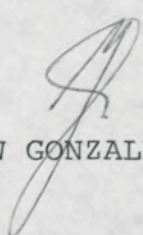
causing the movement towards greater equality to be interrupted. This no doubt over-simplifies a complex process but nevertheless represents a substantial effect.

4. There is no evidence that capital transfer tax has had any effect on recent changes in the distribution of wealth. Its yield has not exceeded 0.1 per cent of marketable wealth.

5. The levels of wealth at the different percentiles of the distribution are as follows:

Percentage of adult population above the level shown	1982	
	Marketable Wealth (Table 4.8) £	Marketable wealth and occupational pension rights (Table D2: lower variant) £
1	110,000	115,000
2	75,000	80,000
5	45,000	50,000
10	28,000	32,000
25	12,500	17,500
50	3,000	7,000

6. I attach an annex dealing with press comment on changes in income distribution.

  
W GONZALEZ

If any reference is made to the recent change in the distribution of wealth indicated by the figures, the response could be on the following lines:-

The distribution of wealth reflects the value of the assets held by different groups of wealth holders. The relative value of the assets changes from time to time and so does the distribution of wealth. These are simple market effects. For instance, the value of shares has recovered.

*J.W.S.W.*  
3/10

ANNEX

There are also references in a Guardian leader to changes between 1978-79 and 1981-82 in the distribution of income (taxable income plus non-taxable benefits). It quotes more or less correctly (but wrongly describes the top 1% as of taxpayers) information from the CSO article in the July issue of Economic Trends. In saying that the changes are part of a deliberate policy, the Guardian article cites reductions in income tax for those on high incomes. But the rise in the share of post tax incomes taken by the top 1% was no greater than the rise in the corresponding share of pre-tax incomes (0.7 percentage points in each case) though described by the Guardian article as "even greater". (The same is broadly true of the top 10% or top 20%; the rise in the share of pre-tax incomes at the top reflects mainly a shift in the distribution of earned income). The decline in the proportion of income taken by the bottom 50% is probably mainly a reflection of the increase in unemployment.

TABLE 4.8

## Personal wealth

Distribution among the adult population of marketable wealth (Series C)  
1966, 1971, 1976 and 1979-82

See notes on page 43

Percentages

	1966	1971	1976	1979	1980	1981	1982		
<b>Concentration of wealth among adult population</b>									
Percentage of wealth owned by:									
Most wealthy 1 per cent of adult population	33	31	24	22	21	21	21		
" " 2 " " " " "	42	39	32	28	28	28	28		
" " 5 " " " " "	56	52	45	40	38	40	41		
" " 10 " " " " "	69	65	60	54	51	53	56		
" " 25 " " " " "	87	86	84	77	76	79	81		
" " 50 " " " " "	97	97	95	95	95	96	96		
<b>Distribution of adult population by individual net wealth</b>									
Percentage of adult population with									
Over (£)	Not over (£)								
	5,000	15,000	91	85	69	55	48	49	51
5,000	15,000	50,000	7	12	23	26	27	26	24
15,000	50,000	100,000	1.7	2.7	6.8	16	22	21	20
50,000	100,000		0.4	0.4	0.9	1.7	2.4	3.1	3.9
100,000				0.3	0.4	0.7	0.9	1.2	1.4
Total adult population - thousands			39,228	39,809	40,496	41,107	41,356	41,868	41,937
Gini coefficient (Series C)			81	80	76	69	69	72	74

TABLE 4.9

## Personal wealth

Distribution among the adult population of marketable wealth including occupational and state pension rights (Series E) 1971, 1976 and 1979-82

See notes on page 43

Percentages

	1971	1976	1979	1980	1981	1982
<b>Concentration of wealth among the adult population</b>						
Percentage of wealth owned by:						
Most wealthy 1 per cent of adult population	21	14	13	12	12	11
" " 2 " " " " "	27	18	17	16	16	16
" " 5 " " " " "	37	27	25	24	24	24
" " 10 " " " " "	49	37	35	33	33	34
" " 25 " " " " "	69-72	58-61	56-59	55-58	56-59	56-59
" " 50 " " " " "	85-89	80-85	79-83	78-82	78-82	78-82
Total adult population - thousands	39,809	40,496	41,107	41,356	41,868	41,937
Gini coefficient (Series E) - lower variant	59	48	45	45	45	45
Gini coefficient (Series E) - upper variant	64	53	50	50	50	50

APPENDIX D2

Personal wealth

Distribution among the adult population of personal wealth including occupational pension rights (Series D) 1971, 1976 and 1979-82

See notes on page 44

	Percentages					
	1971	1976	1979	1980	1981	1982
<b>Concentration of wealth among the adult population</b>						
Percentage of wealth owned by:						
Most wealthy 1 per cent of adult population	27	21	19	17	17	17
" " 2 " " " " "	34	27	24	22	22	23
" " 5 " " " " "	46	40	34	33	33	34
" " 10 " " " " "	59	53	45	45	46	47
" " 25 " " " " "	78-83	75-81	70-74	68-72	69-73	71-75
" " 50 " " " " "	90-96	89-93	88-92	90-94	90-94	91-95
Total adult population - thousands	39,809	40,496	41,107	41,356	41,868	41,937
Gini coefficient (Series D) - lower variant	74	66	62	62	63	64
Gini coefficient (Series D) - upper variant	79	72	68	68	69	70

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