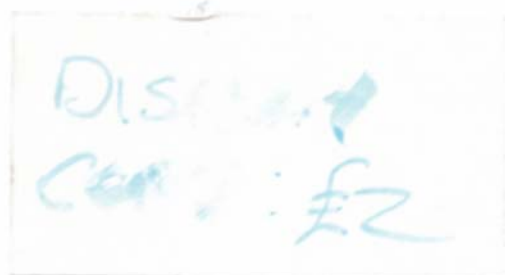


Combat Poverty Agency



WEALTH AND THE WEALTHY IN IRELAND
A Review of the Available Evidence

Sean Byrne

Research Report Series

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A Review of the Available Evidence

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" what thoughtful rich people call
the problem of poverty, thoughtful
poor people call, with equal justice,
the problem of riches."

R. H. Tawney, 1913

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PREFACE

Tawney's words, quoted at the outset, point to a truth which cannot be ignored in any consideration of the issue of inequality in Irish society: wealth and poverty are two sides of the one coin.

There has been a great deal of study and research into the poverty which affects so many individuals, families and groups in this country. The Combat Poverty Agency/ESRI Report of 1988 gives the public and policy-makers comprehensive information on many aspects of deprivation and need.¹ Yet, wealth and the wealthy in Ireland remain the subject only of the society columns and the business magazine profiles. There has been no official effort to carry out studies of wealth or of its generation and distribution in Irish society. Two or three individual studies have appeared but these have not led to any in-depth debate or to sustained analysis. Also, there has been little or no attempt made to connect poverty with wealth and to work out the policy implications of both.

It is to fill this gap in our knowledge that the Agency commissioned two pieces on research on wealth. The present report by Sean Byrne is an introduction to the study of wealth. It is intended to provide an overview of the information available on wealth and the wealthy in Ireland, to assess the potential of existing sources of information, to tell us more about wealth and to review in a general way the issues involved in wealth accumulation. As a second step, the Agency has commissioned the ESRI to carry out a full analysis of the top income earners included in their 1987 study of the income and

1T. Callan et al, Poverty and the Social Welfare System in Ireland, Dublin: Combat Poverty Agency, 1988.

resources of 8,000 individuals throughout the country. It is hoped that this will become available during 1990.

In the Agency's view, any meaningful analysis of the structures of Irish society and of its socio-economic problems must incorporate information on "how the other half lives" and on how wealth is generated. For economic policy to be balanced and effective there must be more complete knowledge and understanding of the phenomenon of wealth and of the total distribution within Irish society of incomes, wealth and the general command over resources. To quote from Donnison's report for the NESC on social policy:

"Social policies deal essentially with relationships between the major interests and groups in an evolving society. If social policies, and the public opinion in which they must remain firmly rooted, are to evolve humanely, accurate and more revealing information about living conditions and the distribution of opportunities and attainments among different groups of people must be regularly published, expertly interpreted and discussed at all levels of society.... The message need not be shrill; once it is understood, the truth about inequality is explosive enough."¹

The case made in this report is quite straightforward. Wealth - and the issues of its generation, ownership and distribution - cannot be excluded from such considerations for a full analysis of Irish society. In this connection, the Agency endorses the NESC's view that

"Action is needed to make progress towards greater equality: left to itself the world will drift towards making the rich richer and the poor poorer."²

¹NESe Report Number 8, An Approach to Social Policy, Dublin: stationery Office, 1975.

²NESe Report Number 8, op cit.

The time has come to halt this drift. A vital first step is the provision of regular and comprehensive information about wealth retention and accumulation in Ireland. It is hoped that this paper will begin that process.

COMBAT POVERTY AGENCY, December, 1989.

A REVIEW OF WEALTH AND THE WEALTHY IN IRELAND

by

Sean Byrne, M. Econ. Se.

INTRODUCTION

The structure of the paper reflects the theoretical and practical implications of the study of wealth. Chapter 1 deals with the complex issue of the definition of wealth, moving from a basic reference to the theoretical nature of resources to more practical considerations from recent Irish experience.

Chapter 2 outlines the various methods which could be adopted to ensure the most accurate estimation of wealth and its distribution in Ireland. It argues the case for a regular Census of Wealth but points to the likely difficulties and obstacles connected with such an approach. The estate duty approach is seen as a second-best method but also as the most likely source of progress and of information in the foreseeable future. Chapter 3 then indicates the results of the few serious efforts to estimate wealth distribution in Ireland which have, to date, seen the light. It highlights the work done so far on the basis of estate duty information and points to the ways in which this approach might be developed with greater accuracy and utility.

Chapter 4 deals with the process of wealth accumulation and poverty creation in Ireland, pointing to some of the sources of the inequality which characterises our present-day society. In this context, Chapter 5 contains a discussion of the impact of the taxation system on the process of wealth accumulation, highlighting the absence of any effective taxation of wealth and property *in* contrast with the draconian levels of tax imposed on incomes and day-to-day expenditure. Chapter 6 is concerned with the situation of the wealthy themselves, dealing with such issues as corporate shareholding, land ownership, farming and bloodstock enterprises and with the position of high-earning professionals and entertainers.

The final chapter summarises the argument of the paper and presents its conclusions in terms of the main lines of study which should be pursued in order to ensure that the issue of wealth in Irish society is adequately studied and analysed.

Chapter 1

DEFINITIONS OF WEALTH

1.1. Wealth, Value and Economic Analysis

Though wealth and its creation and distribution is the conceptual starting point of economics as a discipline, there has never been agreement among economists on a definition of wealth. From the beginning of human discourse, wealth was regarded as tangible possessions. During the nineteenth century, the economists who laid the foundations of neoclassical economics, which is the dominant paradigm in the market economies, proposed that the "utilities" generated by tangible goods, rather than the goods themselves, constituted wealth.

Both concepts present very difficult problems of measurement. In societies which have used money, wealth has been measured in money. But currencies are arbitrary and economists have sought a more stable measure of wealth than a monetary sum. The measurement of wealth is inextricably connected with the measurement of value, one of the most controversial areas of economics on which the scientific and ideological division of economists into neoclassical and marxists is based.

In his book, The Wealth of Nations, Adam Smith proposed a labour theory of value:

"it is not by gold or silver but by labour that all the wealth of the world was originally purchased...•.and its value to those who possess it and who want to exchange it for some new production is precisely equal to the quantity of labour which it can enable them to purchase or command."

This definition was later refined by Ricardo and given a powerful political impact by Marx.

The labour theory of value, though apparently simple, presents great conceptual and measurement problems. These problems and the recognition that wealth as an objective entity did not express the attribute of goods that apparently made them desirable, namely their capacity to give their possessors enjoyment, led to the alternative "utilitarian" view of wealth. Paradoxically, Adam Smith, who held an objective view of wealth, most succinctly stated the subjective view of the utility theorists: "every man is rich or poor according to the degree in which he affords the necessities, conveniences and amusements of human life". The utility theorists saw the objective of economic activity as an optimisation of enjoyments, not the maximisation of tangible wealth.

"Utility" or the satisfaction gained from consumption is no more measurable than labour value and has as many conceptual problems. Yet, utility theory has become a central tenet of market economics. Recognising that utility theory could say little that is useful about wealth, Robbins, in his famous Essay on the Nature and Significance of Economics as a Science, reached the extraordinary conclusion that "in any rigid determinations of Economics, the term wealth should be avoided". Despite Robbins' stricture, wealth and poverty continue to be central issues in economics even if neoclassical economics largely avoids them. From the eighteenth century onwards, there have been numerous attempts to measure the personal distribution of wealth and the national income accounts, which all countries produce, are a form of wealth measurement, however imprecise. This interest is because wealth confers power in societies where private property is the dominant economic institution. In a private property society, wealth confers the power to exclude others from the material or other resources to which legal title has

been gained. As Heilbroner¹ concludes: "wealth is the economic face of political stratification, lodged in the hands of a class whose ability to grant or deny access to resources becomes the 'economic' basis for both prestige and power".

1.2. Information on Wealth

Transferrable wealth, with which this paper is concerned, takes many forms. Shares in companies, money in financial institutions, land, homes, jewellery and works of art, yachts and planes are considered to be wealth by most people. There is very little information collected on the distribution of such assets in Ireland. This paper will show that much interesting data which could be collected about the personal distribution of wealth is not collected, or if collected, not published in order to preserve "confidentiality". The wealthy generally do not wish attention to be focused on their wealth or the means by which they acquire or retain it.

There is no information, for example, on the proportion of the population owning shares in companies or bank deposits of various levels. The commercial banks have the latter information but do not publish it because they argue it would be useful to their competitors. The Central Bank could easily collect the information for the banking system as a whole but does not do so.

The Central Statistics Office collects data on farm sizes but the largest acreage for which figures are published in the Statistical Abstract is 150 acres or over. The reason given for not publishing the number of farms of larger acreages is

Ipgrave's Dictionary of Economics, 19B7.

·'confidentiality". When the land tax was introduced *in 1985*, a nationwide valuation of land was undertaken to determine liability for the tax. Initially, farms of 150 acres and over were identified and valued and each local authority prepared a list of landowners *in its* area holding 150 acres or more. The valuation was continued for farmers owning less than 150 acres and *it* was found that *in fact* many additional farmers owned more than 150 acres, because the agricultural rates' records, on which the previous survey was based, had not been updated. Subsequently, the Irish Farmers Association mounted a successful political campaign to have the land tax abolished.

Ireland's taxation system is very inequitable and a major aspect of this inequity *is* the very favourable tax treatment accorded wealth, capital and profits. Inheritance is the most significant source of inequality in the distribution of wealth, yet *in* Ireland a person can inherit £150,000 from a parent before being liable for any tax on the inheritance. Capital gains, meanwhile, are more favourably taxed than earned income; they are adjusted to allow for inflation and are not taxed in a progressive manner. For example, the owner of a stud farm earning £500,000 *in* stallion fees would not be liable to income tax on this income. While the PAYE tax burden has increased sharply over the past decade, taxes levied on property and profits have fallen from 21 per cent of total tax revenue in 1970 to 7 per cent in 1987. It *is* hardly surprising that the Economist survey of the Irish economy published in April 1988 concluded that Ireland was "awful for earners, lovely for property and profits".

It is often argued by commercial interests that wealth and property should not be taxed and that their accumulation must be facilitated because only by these means can jobs and prosperity be generated. The present level of unemployment

and poverty in Ireland, despite the favourable conditions for wealth accumulation, must call this argument into serious question. Despite generous grants and tax incentives to private industry, more than 20 per cent of the total employed in this sector have lost their jobs since 1980. The argument that low levels of public spending and low taxes on property and profits are the key to prosperity is contradicted by the evidence from countries such as Norway, Sweden, Denmark and Austria. These combine high taxes and high public spending with low unemployment levels and high economic growth rates.

1.3. How Personal Wealth is Accumulated

Wealth *is* always portrayed by its apologists as the reward for effort and/or ability. However, some of the wealthiest people in Ireland have accumulated their wealth through property deals which have been facilitated by poor state planning and inadequate legislation. Recent awards to landowners as compensation for not being permitted to build houses on land designated for agriculture shows how the constitutional protection of private property can operate to enrich speculators from public funds. The Commission on Taxation, in rejecting the arguments *in* favour of wealth tax, argued that "human capital" in the form of education and training is wealth and that, because such wealth cannot be measured, a wealth tax would be inequitable.¹ If education and training are actually regarded as a form of wealth, those, who through unemployment are deprived of the opportunity of using them to earn a living, ought to be entitled to generous compensation for such a loss. No such generous compensation is available, but the owners of private property, regardless of effort or ability, can be

¹Commission on Taxation, Direct Taxation, Dublin: stationery Office, 1982.

entitled to compensation for a limitation of their right to profit from it. There is approximately £80 million outstanding in compensation claims against local authorities. If this compensation is paid, local authority services will be cut back further and all such cutbacks hit those on low incomes hardest. The arbitrary enrichment of a few may result in the impoverishment of many.

This paper will show that those who deny the extent of the inequality in the distribution of wealth try to argue that anything which marginally reduces economic insecurity is a form of wealth. Thus, it is argued that entitlement to a pension is a form of wealth. Since most people are entitled to a minimum state pension and many people have assurance policies, the distribution appears less unequal if these are regarded as wealth. But, pension rights are not transferrable and those in the highest paid jobs, particularly company directors, have the largest pension rights so that such rights could also be regarded as a source of inequality. The assurance policies held by those on low incomes usually have a low surrender value and so do not offer the same opportunities for further wealth accumulation as other forms of transferrable wealth. Those who receive high incomes can afford bigger assurance policies, the premiums on which are tax deductible so that they can increase the wealth which they bequeath to their families while reducing the amount of tax they pay.

In this connection it is appropriate to recall the comments of the NESC in relation to social policy:

"As well as the distribution of income, wealth, social status, and ability to influence the working and living environments, account must also be taken of what Professor Donnison refers to as new forms of property. Depending on their social class or occupational group, individuals may or may not be assured of a pension on

retirement, hospitalisation without delay, security of employment, access to education, training and re-training, the right to increments or extended sick leave on full pay, or the right to practice a particular trade or profession. These new forms of property are unequally distributed."¹

¹NESC Report Number 8, op cit.

Chapter 2

APPROACHES TO ESTIMATING THE PERSONAL DISTRIBUTION OF WEALTH

There are a number of possible approaches to estimating the distribution of wealth.

2.1. A Sample Census of Wealth

Ideally, the most satisfactory source of information about the distribution of wealth would be a regular census or a survey of the wealthy and their families. Everyone surveyed would be required to complete a form giving details of assets and liabilities. Personal possessions such as cars, houses and consumer durables would be listed as would financial assets including bank deposits, cash, government bonds, shares and so on. A person's net worth could then be calculated by subtracting the value of liabilities from the value of assets.

However, a census or sample survey of wealth holdings would encounter major problems. Compliance could be made compulsory as in the case of the Census of Population but any attempt to make such a survey compulsory would certainly face considerable opposition. The experience of voluntary surveys shows that they achieve a poor response, the very wealthy are likely to be under-represented and those who do respond are likely to understate their wealth.

The definition of wealth and its valuation present major difficulties for a wealth survey. Two methods of valuation could be adopted: the realisation value and the going concern value. The realisation value would require a respondent to value his/her assets at prices which would be obtained if they were sold on the open market. The going concern method would value assets at their replacement cost. This method

would give a higher value, because in the case of furniture, for example, the cost of replacement is usually greater than the price for which furniture in use could be sold. Life assurance policies, pension rights and discretionary trusts may have no realisation value but be of considerable value on a going concern basis.

No survey is likely to cover the very wealthy because they are difficult to identify and are unlikely to respond to a survey. Despite the many practical difficulties which must be recognised, it is important that serious consideration be given to the institution of such a regular Sample Census of Wealth in Ireland.

2.2. The Estate Duty (Inheritance Tax) Method

The only occasion on which a person's total assets and liabilities have to be revealed to any government agency is at death when a return must be made to the Revenue Commissioners. The statistics from estate duty or inheritance tax are therefore an important source of information on wealth holdings and have provided the basis for nearly all estimates of the distribution of wealth in Britain, the United States and Ireland.

The estate duty method uses the estates of those dying in a particular year as a sample of the wealth of the living population. It is assumed that those dying in any year are a random sample of the living population of the same age and sex. (This is a questionable assumption as outlined below.) The wealth of those who die in a particular year is multiplied by a mortality multiplier which is the reciprocal of the mortality rate. If the death rate is 1 in 100 the value of estates is multiplied by 100 to give an estimate of the wealth of the living. If, for example, in a given year, 20 men aged 60-65 years die each leaving £5,000 and the mortality rate is 1 in 100 then it is assumed that there are

2,000 men aged 60 - 65 in the population with wealth of £500,000.

There are a number of problems with the estate duty method. The first is that it excludes large numbers of people who die leaving small estates which do not come to the attention of the Revenue Commissioners. If the wealth of the missing estate holders is negligible, the degree of inequality is understated. If the missing estates are in fact substantial, the degree of inequality is overstated. (The treatment of missing estates was a major criticism of Lyons' estimates for Ireland as discussed below.) Certain types of property on which no duty is payable are excluded and there are technical problems in the valuation of certain assets. The value of life assurance policies is overstated if their death value is assumed and this is an important issue because life policies are a widely held form of asset. A similar problem arises with the valuation of pension rights. Furniture and other personal possessions of the deceased are valued at resale prices which understates their going concern value to the living. This problem is particularly important if the assets of an incorporated business are valued for estate duty purposes on a second hand basis which may be considerably less than their going concern value.

Another problem with the estate duty method is the choice of mortality multipliers. Multipliers based on the mortality rates of the population as a whole underestimate the number of wealthy persons because the death rate in all age groups declines with increasing wealth.¹ Mortality rates by social class or occupation are not calculated by the Central Statistics Office, though they are calculated by assurance

Ip.M. Lyons, "Estate duty wealth estimates and the mortality multiplier", Economic and Social Review, Vol 6, Ne 3, 1975.

companies for their own use. There is no strong reason to suppose that those dying in a particular age group are representative of the living in that age group and, to the extent that they are unrepresentative, estimates based on their estates will be biased. In the U.K., mortality rates for the upper social classes are used in the Inland Revenue estimates.

The estate duty statistics relate to individuals and the wealth of families is not aggregated. The spouses and dependent children of wealth holders share many of the benefits of wealth. Estimates of individual wealth holdings based on estate duty data will tend to overstate the degree of concentration among families. Despite these difficulties, estimates based on estate duty are the best established means of measuring the distribution of personal wealth. The method is very comprehensively analysed by Atkinson and Harrison¹ who discuss the problems associated with it and the means of overcoming them.

Studies based on Irish inheritance tax statistics face additional problems because of the way in which the data are assembled and published, the lack of occupational mortality multipliers and the difficulty of constructing a national balance sheet (see below) which would give an estimate of total personal wealth with which the inheritance tax estimates could be compared.

2.3. Investment Income Method

The investment income method estimates the capital value of assets yielding investment income collected by the tax authorities. A yield multiplier is used to convert the

¹ A.B. Atkinson and A.J. Harrison, Distribution of Personal Wealth in Britain, Cambridge: Cambridge University Press, 1978.

distribution of investment income to an underlying distribution of capital. If the yield on a particular investment *is* 5 per cent, then the multiplier would be $1/0.05 = 20$. On investment income of £10,000 this would be converted into wealth of £200,000. As in the case of the estate duty method, there are a number of technical problems with the investment income method but the major difficulty *is* the deficiency of investment income statistics.

2.4. A National Balance Sheet

A national balance sheet *is* a statement of the value of all assets and liabilities held in a country at a point in time, classified by economic sector. The wealth of the personal sector in a national balance sheet would give a figure with which estate duty estimates of total wealth could be compared. National balance sheet totals for certain types of assets could also be used to estimate the value of wealth missing from the estate duty totals or undervalued in them. The national balance sheet approach was pioneered in the U.K. by Revell and continued by Roe.¹ No attempt has been made to construct a national balance sheet for Ireland though much of the information required is available if not published. However, because the data are not as readily available as in the U.K., the construction of a national balance sheet for Ireland would need a considerable input of time and resources.

1J.R. Revell, The Wealth of the Nation, Cambridge: Cambridge University Press, 1967

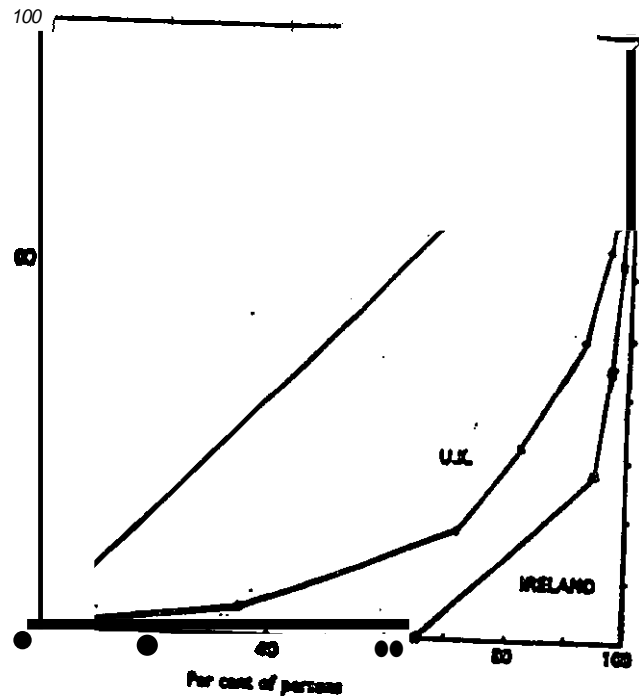
A.R. Roe, The Financial Interdependence of the Economy, London: Chapman and Hall, 1971.

2.5. Statistical Measures of the Distribution of Wealth

The Lorenz Curve and Gini Coefficient are useful measures of the degree of inequality in the distribution of wealth. The Lorenz Curve shows a statistical relationship between percentile groups of individuals and some characteristic of these individuals, such as their wealth holdings. The diagonal line in the diagram represents complete equality in the distribution of wealth, viz. each percentile of the population owns 10 per cent of total wealth. The greater the area between the actual Lorenz Curve and the diagonal, the greater the degree of inequality. Lorenz Curves for the distribution of wealth in Ireland and the U.K. from Lyons' study are given below in Figure 2.1.

The Gini Coefficient is the area between the Lorenz Curve and the diagonal divided by the area under the diagonal. The Gini Coefficient ranges from 0 when wealth is perfectly equally distributed (the Lorenz Curve follows the diagonal) to 1 at the other extreme (the Lorenz Curve has an L shape). If Lorenz Curves do not intersect, the distribution closer to the diagonal is less unequal than the other. The Gini Coefficient must, however, be interpreted carefully. It is not an objectively scientific measure of inequality but embodies social judgement. If Lorenz Curves for the distribution of wealth in two countries intersect as they often do, it cannot be unambiguously asserted that the distribution of wealth is more or less unequal in one than in another. Similarly, a decrease in the Gini Coefficient does not necessarily indicate a decrease in inequality. The Gini Coefficient for Lyons' Lorenz Curves are .899 for Ireland and .655 for the U.K.

Table 2.1

Lorenz Curves for the U.K. and Ireland

Source: P.M. Lyons, 1975, op cit.

2.6 Overview

None of the methods of estimating the distribution of personal wealth is satisfactory, because the available statistics are not collected for the purposes of studying the distribution of wealth and because the wealthy can easily conceal their wealth in many ways. For these reasons, a regular, statutory Census of Wealth is required. However, there are likely to be many practical difficulties in obtaining the necessary information. Consequently, the estate duty method remains the most acceptable and least unsatisfactory way of assessing wealth. Also, the important Irish studies by Lyons and others use this method. These studies are discussed in the next chapter.

Chapter 3

STUDIES OF THE PERSONAL DISTRIBUTION OF WEALTH IN IRELAND

3.1. Nevin's 1961 Paper

The first ever paper in the Economic and Social Research Institute's general research series was Edward Nevin's The ownership of Personal Property in Ireland (1961). Nevin's study used the estate duty method but is of limited value because no classification of estates by sex and age group was available to him. Nevin stressed that his work was hampered by the inadequacy of the data available and, as a result, some estate duty data, classified by sex and age group, were published by the Revenue Commissioners. The data were far from comprehensive and Lyons, in his 1972 study¹, which is the most often quoted, had to examine the original returns.

The Inland Revenue in the U.K. not only publishes more comprehensive estate duty data than the Irish Revenue Commissioners but also publishes its own estimates of the distribution of personal wealth in the U.K. in its annual reports. The Royal Commission on the Distribution of Income and Wealth produced a series of very useful reports before it was abolished by the Conservative Government on the grounds that its findings were exciting envy and discontent.

¹p.M Lyons, "The size distribution of wealth in the Republic of Ireland", in Ireland, Some Problems of a Developing Economy, A. Tait and J. Bristow, (eds), Dublin: Gill and Macmillan, 1972.

3.2. Lyons' 1972 Study

Using the estate duty method, Lyons found that in 1966 5 per cent of the total population owned 72 per cent of total wealth, a distribution more unequal than in Britain or the United States in that year. Lyons found that 70 per cent of personal capital was in the form of personal property, one third of which comprised Irish stocks and shares, 20 per cent stocks and shares held abroad and 17 per cent held in cash and bank deposits. Assurance policies accounted for a further 14 per cent. 30 per cent of the remaining personal capital was held in the form of real property, half of which was accounted for by land with a third consisting of houses and business premises. Just over 30 per cent of total wealth was owned by women who comprised a little less than half the total population and more than half of the wealthy were aged over 75 years.

Lyons' study caused a good deal of comment at the time of its publication. Professor Louis Smith of U.C.D. criticised Lyons' work as exaggerating the degree of inequality, principally by underestimating the value of land and of small estates which were not liable for estate duty (Irish Independent, 25 March, 1972). Mr A. Robinson (then Chairman of City of Dublin Bank) also criticised Lyons' work in an article in the Irish Times (28 June, 1972), citing the deficiency of estate duty returns in analysing wealth distribution and pointing out that estimates for particular assets did not tally with other means of estimating the value of such assets. Of 11 newspaper reports of Lyons' results only the articles by Smith and Robinson were critical of Lyons. It is interesting to note that Business and Finance magazine (30 March, 1972) accepted that Lyons' study, despite the limitations of the methodology, was a fairly accurate estimate of the inequality in the distribution of personal wealth in Ireland.

Social class or occupational mortality rates were not available to Lyons (and are not yet published by the CSO) but in his 1975 paper¹ he applied adjusted U.K. mortality rates to the Irish data. This modification gave a larger figure for total wealth and a larger proportion (70.1 per cent compared with 66.1 per cent) held by men, but the degree of concentration was only slightly reduced. The share held by the top 5 per cent, using U.K. adjusted mortality rates, ranged from 60.3 per cent to 63.6 per cent of total wealth, compared to 72 per cent using Irish mortality rates. The most interesting result of applying U.K. adjusted mortality multipliers is the finding that mean wealth per head of population rises regularly with age, peaking in the 55-64 age group. This suggests that inheritance is an important source of wealth inequality. In Lyons' original study average wealth did not rise with age suggesting that gifts inter vivos were common. (This is important in Ireland for farmers who transfer land to heirs in order to qualify for the old age pension. Such gifts are now taxed and statistics are published on the number and value of gifts.)

3.3. Harrison and Nolan's Work

Harrison and Nolan critically examined two aspects of Lyons' work¹. The first was the question of 'missing' estates. Lyons' treatment of missing estates led to the conclusion that two-thirds of the Irish population owned no wealth. Using a sophisticated statistical technique, Harrison and Nolan calculated an average value of £30 for missing estates. This did not significantly alter Lyons' results.

¹P.M. Lyons, "Estate duty wealth estimates and the mortality multiplier", op cit.

1A.J. Harrison and S. Nolan, "The distribution of personal wealth in Ireland - a comment", Economic and Social Review, Vol 7, No 1, 1975.

It reduced the share of the top 5 per cent from 72 per cent to 70 per cent and increased the wealth of the bottom 65 per cent from 0 to 2 per cent. Perhaps the most significant finding of Harrison and Nolan's work was that increases in the wealth assumed to be owned by the residual group do not appreciably affect the proportion of the wealth owned by the wealthiest 5 per cent of the population. Assuming an average value of £150 for missing estates would have reduced the share of the wealthiest 5 per cent only to 66 per cent and increased the share of the bottom 65 per cent to 7 per cent. Harrison and Nolan pointed out that the deficiencies of Lyons' study were largely due to the grossly inadequate statistics available to him.

3.4. Chesher and McMahon's Work

Chesher and McMahon¹ argued that both Lyons' and Harrison and Nolan's estimates were inaccurate. They produced new estimates of average wealth holdings for different groups by extrapolating the wealth distribution of the upper ranges to the lower ranges. This method yielded an average value of £246 for missing estates. This reduced the share of the top 5 per cent of wealth holders to 57 per cent, and increased the share of the poorest two-thirds of the population to 10 per cent. Harrison defended his work with Nolan against Chesher and McMahon's criticism but accepted that all of the estimates were open to question and suggested that further work be directed towards improving the quantity and reliability of the raw data.

¹A. Chesher and P. McMahon, "The distribution of personal wealth in Ireland - the evidence re-examined", Economic and Social Review, Vol 8, No 1, 1976.

Chesher¹ expanded the work of Chesher and McMahon to examine the appropriateness of the log normal and Pareto distributions as models of Irish wealth holdings and found the log normal distribution more satisfactory. Chesher's estimate of total wealth is greater than Lyons' figure but he does not give any new figures on distribution other than a new Gini Coefficient of 0.745, less than Lyons' 10.899) but greater than Harrison and Nolan's (0.708).

3.5. Overview of Completed Work

Despite its deficiencies, Lyons' study is the only substantial review of the distribution of personal wealth in Ireland. But the study relates to 1966 and there has been considerable economic change in Ireland since then. Apart from the problems inherent in the estate duty method, Lyons' research was hampered by the inadequacy of the statistics available to him. Despite the urging of economists and politicians interested in the distribution of wealth, there has been little improvement in the quantity and quality of inheritance tax statistics published by the Revenue Commissioners. (Estate duty was replaced by inheritance tax in 1974.)

Information on estates is now computerised in the Probate Office but only the minimum information required to meet legislative requirements is recorded. The age of the testator is not recorded either, although the occupation of the grantee (usually the heir) is.

Computer printouts compiled from the grants of probate can be inspected at the Probate Office. The grants issued in any given week are the source of newspaper accounts of the

1A. Chester, "An analysis of the distribution of wealth in Ireland", Economic and Social Review, Vol 11, No 1, October 1919.

value of estates left by individuals. The grants are eventually bound by month and stored in the Probate Office. Approximately 20,000 grants are issued annually. To undertake a study such as that of Lyons, it would be necessary to examine the original schedules of assets, since the grant of probate gives only the total value of the estate. Lyons was given access to these records and other records he needed. His work required a comprehensive examination of the basic records on which the figures for estate duty in the annual reports of the Revenue Commissioners are based. Lyons' work required the co-operation and assistance of staff in the Revenue Commissioners. Abstracting the information would be very time consuming for an individual researcher, so the cooperation of the Revenue Commissioners would be necessary.

Despite its deficiencies, the estate duty method is the best established method for estimating the distribution of wealth and the Revenue Commissioners should be given the resources to facilitate a study of the distribution of wealth *in* Ireland.

An interesting exercise might be carried out using the grants of probate to show the occupational structure of those leaving large estates. An informal survey of this kind was reported in Management in February 1984. It showed that the most important change *in* the occupational structure of a random sample of testators between 1933 and 1981 was the decline in the importance of gentlemen (7 out of a sample of 30 in 1933) and the rise in the importance of farmers (17 out of 30 in 1981). The Management study did not claim to be in any way scientific but a more complete study could show the occupational structure of the wealthy in Ireland as indicated by the value of their estates.

A useful approach to the study of wealth and the wealthy in Ireland would be to examine:

- (i) the process of wealth accumulation in Ireland and the ways in which some forms of wealth accumulation also help to generate poverty;
- (ii) the ways in which government policy and particularly public expenditure and taxation policy facilitate wealth accumulation;
- (iii) wealthy groups and individuals in Ireland and how their wealth is acquired using a mandatory Census of Wealth.

The following chapters outline how such research could be undertaken and indicate the issues that should be addressed.

Chapter 4

WEALTH ACCUMULATION AND POVERTY CREATION IN IRELAND

4.1. How people Become Wealthy

There are many misconceptions, usually fostered by the wealthy, about how people become wealthy. It is typically argued that special ability, very hard work, exceptional thrift and the creation of output and employment are the main sources of wealth. Although some people do become wealthy by these means, studies of the wealthy, such as that by Harbury and McMahon in Britain, show that inheritance is the most important source of wealth. Harbury and McMahon investigated persons leaving wealth of £100,000 or over in 1965 and found that, of those leaving estates of this size, 45 per cent had inherited at least £100,000 and 67 per cent at least £25,000. Harbury and McMahon's study suggested that about one-third of the top wealth holders in Britain (the top 0.1 per cent) are self-made, the other two-thirds having inherited substantial wealth.

Although no research has been published on inheritance of wealth in Ireland, there is no reason to suppose that the situation is substantially different from that in the U.K. An article in Magill in April, 1988 identified 50 of the wealthiest people in Ireland. Of these, 5 were entertainers or sports stars. Nineteen of the remaining 45 had inherited wealth, with inheritance being particularly important for those in the manufacturing and property dealing/construction fields. As far as it is possible to ascertain, only 1 of the 45 came from a working class background. Some successful

1e.p. Harbury and P.C. McMahon, "Inheritance and the characteristics of top wealth leavers in Britain", Economic Journal, Vol 83, No 4, 1975.

businessmen claim to be self-made because, though from business families, they started their own business without family investment. But, the fact that their families were in business must have given such entrepreneurs a considerable advantage over those without such connections.

Though domestic manufacturing industry generates wealth for its owners, it has generated relatively few jobs in recent years. Employment in domestic Irish industry has fallen sharply and the profitability of some companies has been increased by shedding labour. Some of the largest Irish companies have expanded abroad rather than in Ireland and some companies are in fact registered abroad for tax purposes. Domestic industry benefits from generous grants and a very favourable tax regime. The purpose of the grants and low taxes is to foster job creation but, because equipment grants encourage the replacement of labour by capital, profits can be generated without significant job creation. A study of wealth in Ireland could usefully examine to what extent industrial policy contributes to inequality in the distribution of wealth by subsidising capital and taxing profits very lightly.

4.2. Property Ownership

The ownership of property is a major source of wealth in Ireland. The Constitution guarantees the right to private property and restriction of this right may result in compensation for property owners, often from public funds. Although the Constitution provides for limitation of the right to exercise private property rights in the interests of the common good, decisions by public authorities frequently result in generous compensation for property owners even when limitation of the exercise of their rights would be in the common good. The zoning of land for particular purposes by local authorities shows how public

policy can arbitrarily enrich property owners. A decision to zone agricultural land for building greatly increases its value and, though this increase in value is due to a decision to provide services which will ultimately be financed from taxation, the owner of the land is allowed to reap the benefit of the decision to rezone. The Report of the Interdepartmental Committee on Building Land Prices¹ prepared a formula whereby landowners would not reap the entire benefit of zoning decisions but the recommendations of this report were never implemented. The rezoning of land in County Dublin as part of the 1983 updating of the County Development Plan was the subject of much public disquiet. Many of the rezoning decisions will ultimately result in the enrichment of landowners without any effort or investment on their part. Interestingly, of the 45 wealthy business people in the Magill² survey, 7 are property dealers or builders. A more comprehensive survey of those who have become wealthy through property speculation might be possible through an analysis of newspaper reports, particularly a series on rezoning in the Irish Times in 1982, and through an examination of the accounts of private companies in the Companies Office.

A recent award of £2 million to a private building company in compensation for a refusal of planning permission suggests that private wealth accumulation takes priority over communal needs. To pay this money, Dublin County Council's public services, which are already severely curtailed, may have to be cut back further. However, amending legislation has been promised. All cutbacks in the services provided by local authorities affect the poor

¹The Report of the Interdepartmental Committee On Building Land Prices, Dublin: Stationery Office, 1977.

²Magill, April 1988.

more than the well-off. While neither the Constitution nor any legislation guarantees the right to a home, the legislative protection of the interests of private property allows large profits to be made from housing. An examination of the amounts of compensation paid by local authorities would reveal the extent of private enrichment by compensation from public funds.

4.3. Subsidisation of Unearned Income by the State

The Constitutionality of the 1963 Rent Restriction Act, introduced to prevent rackrenting, was successfully challenged in 1984. As a result of the court ruling many of the poor and particularly old people were faced with huge increases in rent and threats of eviction. The government granted rent subsidies to the tenants which ultimately increased the income of the landlords. A study of the rent subsidy would show to what extent landlords were the ultimate beneficiaries and who they were.

4.4. Agricultural Land

In Ireland, agricultural land is often seen as more a capital asset than a means of production. Because Irish farmers prefer extensive to intensive production, the price of agricultural land is determined not by its productivity but by the capability of the total land holding to service the debt on the land purchased. Increasing land prices combined with low taxation of farming profits resulted in business and professional people buying land as an investment during the 1970s. The Interdepartmental Committee on Land Structure Reform recommended a land tax as a means of ensuring the productive use of land. In 1985, the government introduced a land tax but this was abolished by the subsequent administration. It is suggested in the next chapter that the information collected for calculating the land tax may be a useful source of information on wealthy farmers.

Other state sponsored schemes, such as the bovine tuberculosis eradication scheme and the now-defunct Irish Hospital sweepstakes, have also enabled large amounts of wealth to be accumulated.

Chapter 5

THE TAXATION SYSTEM AND WEALTH ACCUMULATION

The Irish taxation system is very inequitable and one of its most inequitable aspects is the very low proportion of total tax revenue raised from taxes on property and profits. In 1986, the Irish government raised only 7 per cent of total tax revenue from taxes on property and profits compared with 31 per cent from taxes on personal income. In 1986, 16,900 PAYE workers paid 90 per cent of total income tax, while 298,000 self-employed and farmers paid the remaining 10 per cent. Forty-four per cent of total tax revenue was raised through indirect taxes in 1985. People on low incomes pay a disproportionate share of indirect taxes also. The 1980 Household Budget survey¹ shows that *in* 1980 indirect taxes absorbed 21 per cent of the disposable income of the lowest income groups but only 14 per cent of the disposable income of the highest income group.

The Irish taxation system clearly contributes to the impoverishment of those on low incomes while facilitating wealth accumulation by those whose income or wealth is derived from property or profits because the taxation system does not redistribute income or wealth to any significant extent. Whatever redistribution takes place is largely within the middle income groups.

5.1. The Taxation of Capital and Wealth in Ireland

Until 1974, the major capital taxes in Ireland were local authority rates, estate duty, succession and legacy duty.

¹Household Budget Survey, 1980, Dublin: Central Statistics Office, 1982.

Local authority rates were largely based on a nineteenth century valuation of property and so had become inequitable. Estate duty was more progressive, being charged at a sliding rate on inherited property valued at over £7,500. As gifts of property between the living were exempt from succession and legacy duty, these taxes could easily be avoided. No taxes were levied on capital gains before 1976.

In the early 1970s, property values and particularly land values rose sharply because of rapid inflation. As a result, the government introduced a new set of capital taxes. These comprised a capital gains tax, a capital acquisitions tax and a wealth tax. A capital gains tax of 35 per cent, then the standard rate of income tax, was initially proposed but the rate was lowered to 26 per cent. The tax was not to be progressive, thus all gains would be taxed at the same rate. The capital acquisitions tax taxed gifts and inheritances on a progressive scale but the thresholds were high in the case of immediate relations (£150,000 in the case where a spouse or child is the heir). Inheritance of agricultural land was also favourably treated. Its value could be reduced by as much as £200,000 in some circumstances before capital acquisitions tax was paid. The high consanguinity reliefs encouraged the concentration of wealth in families.

The wealth tax was the most contentious element of the capital taxation package and the tax was modified following protests from those likely to be affected by it. The tax was levied at 1 per cent on taxable wealth which excluded a principal private residence and its contents and one acre of land. Livestock, bloodstock and objects of artistic interest were also excluded and agricultural land, commercial fishing boats, hotels and growing timber were valued for wealth tax purposes at half their market value.

The exemptions made the Irish wealth tax the least onerous of the 20 such taxes then in force in the world.

Capital taxation was further lightened when the subsequent government abolished the wealth tax, raised the acquisitions tax exemptions and modified the capital gains tax so that the rate of tax was reduced according to the number of years the asset was held. Indexation of capital gains for inflation was also introduced. This meant that only capital gains in excess of the rate of inflation as measured by the Consumer Price Index were taxable. Income tax bands were not, however, indexed for inflation.

5.2. How the Wealthy Succeeded in Having the Wealth Tax Abolished

The wealth tax provoked intense opposition from the wealthy though it raised very little revenue. The thresholds were very high at £70,000 for a married couple. Sandford and Morrissey¹ in their study of the wealth tax argue that the political commitment to the tax was made before its implications had been adequately explored. Opponents of the tax argued that it had detrimental economic effects drawing capital out of the country. Sandford and Morrissey, however, found no such evidence. In 1978, the year in which the wealth tax affected the greatest number of people, only 2,000 individuals and a further 2,000 discretionary trusts and private non-trading companies were liable for the tax. The average payment in 1978 was less than £1,000. Though the tax was far from confiscatory, the small number of people affected by it opposed it vehemently and were powerful enough to have it abolished. Sandford and

1C. Sandford and O. Morrissey, The Irish Wealth Tax - A Case study in Economics and Politics, Dublin: ESRI, 1985.

Morrissey consider that many people liable for the tax evaded it.

5.3. Information on Wealth Collected in Administering the Wealth Tax

In administering the wealth tax, the Revenue Commissioners collected much interesting information on the wealthy in Ireland. However, the statistics published in the annual reports of the Commissioners are not very revealing. The reports do not show, for example, how many people owned different levels of wealth and in what form it was held. In 1978, 2,189 individuals owned gross wealth of £600.8 million giving an average gross wealth of £278,676. The total wealth of all 4,094 assessable persons (individuals, discretionary trusts and private non-trading companies) was £822.4 million in 1978. Individuals owned 70 per cent of the gross wealth of wealth tax payers. These 2,156 individuals, or .0006 per cent of the population, controlled gross wealth equal to approximately 9 per cent of GNP at market prices in that year. The 4,094 assessable persons controlled wealth equal to approximately 12 per cent of GNP at market prices.

Sandford and Morrissey used the reports of the Revenue Commissioners to obtain information on the composition of the wealth of assessable persons. Table 5.1 gives their average annual gross wealth and assessed wealth classified according to the class of asset between 1976 and 1981. It shows how generous the reliefs for the wealth tax were, amounting to 38 per cent of gross wealth in the case of agricultural property and 34 per cent in the case of other productive assets. The table also shows that 38 per cent of wealth consisted of non-productive assets and assets held abroad.

Table 5.1 Composition of Average Annual Aggregate Wealth
of Individuals 1976 - 1981.

Class of Asset	Gross Wealth		Assessed Wealth		Relief and Debts as a % of Gross Wealth
	£M	% total	£M	% total	
Agricultural property	188	26.0	117	23.5	37.7
stocks and shares	146	20.2	110	22.2	24.4
other productive	14	1.9	9	1.8	34.4
"Non-productive assets"	65	22.8	151	30.2	9.0
Assets held outside the state	11	13.3	111	22.3	0
Exemptions	100	13.5	0	0	
Total	724	100	498	100	31.2

*mainly non-exempt land and buildings, bank deposits, assurance policies and government securities

source: C. Sandford and o. Morrissey, op cit.

The reports of the Revenue Commissioners do not give the occupations of those liable for wealth tax but Sandford and Morrissey were permitted to take a sample of taxpayers and the following is the occupational breakdown of the sample.

Table 5.2 Occupational Breakdown of Wealth Tax Payers

Occupation	1	Per cent (N = 133)
-----	1	-----
Company director	1	20.3
Farmer only	1	18.8
Proprietor	1	18.0
Investor	1	9.0
Retired	1	6.0
Medical and Dental	1	5.3
Employee	1	5.3
Farmer with other	1	
occupation	1	4.5
Other	1	12.8

Source: C. Sandford and O. Morrissey, *op cit.*

Although interesting, this sample is not satisfactory as the "other" category *is* so large. It is surprising that doctors and dentists appear on a separate group but solicitors and barristers do not. It would be interesting also to know the occupations of the employees, as well as the former occupations of the retired group and the business of the company directors.

Despite these limitations the wealth tax did provide the Government with the basis for collecting very significant information on all aspects of wealth generation and distribution in Ireland. The disappearance of the tax did away with this source of data and returned the whole question of wealth to its accustomed obscurity. It had been argued by some that even if the wealth tax had been zero rated it would have been of significant social, economic and political

importance because of the data which could have been assembled on the structures of wealth, on the income and investment patterns of the wealthy, on corporate wealth and on property accumulation in Irish society.

5.4. Capital Taxation and the Distribution of Wealth

Taxes on property and profits have declined as a proportion of total tax revenue from 24 per cent in 1965 to 7 per cent in 1988. The abolition of estate duty and of rates on private houses and agricultural land were the principal reasons for the decline in capital tax revenue. The revenue lost through reduced capital taxation has been made up through increased income tax and indirect taxes.

The abolition of the wealth tax shows how powerful a lobby the wealthy are compared with other groups in society. The PAYE tax marches of 1979/80 resulted in only token reductions in the burden of PAYE income tax, yet 2,000 individuals succeeded in having a tax levied on them abolished. Farmers not only succeeded in having the resource tax (imposed in 1979) abolished, but were refunded any tax already paid.

The capital taxation statistics published by the Revenue Commissioners give little information on the distribution of wealth. Although numerous tables on gift and inheritance taxes are published, gifts and inheritance classified by amount are not published. Perhaps the Revenue Commissioners could be persuaded by government to publish more data in their annual reports.

Ireland's very lenient system of capital taxation clearly facilitates wealth accumulation and the low levels of capital taxation result in high income and indirect taxes which hit those on lowest incomes hardest. Ironically, countries much more aggressively committed to the market economy than Ireland raise a greater proportion of their total tax revenue

from capital taxes. In 1984, the U.S.A. raised 10.3 per cent of its total tax revenue from taxes on property while Japan raised 9.4 per cent and Switzerland 7.7 per cent. Most of the taxes are state and local property taxes although Switzerland also levies a net wealth tax.

Chapter 6

WEALTHY GROUPS AND INDIVIDUALS IN IRELAND

6.1. Corporate Wealth

Corporate wealth is much more concentrated than other forms of wealth, but this concentration is hard to measure in Ireland because of the deficiencies of Irish Company Law. All public limited companies publish annual accounts and, in the case of some of the largest companies, the accounts give shareholdings of directors and these can be valued at current Stock Exchange values. In the case of most large companies, the directors and management hold large blocks of shares accounting for a significant percentage of total shareholdings. Aspect magazine publishes a listing of the top 800 companies each year which gives summary information about these companies. The annual reports of companies can be inspected at the companies Office, but the larger companies will usually send copies of their annual reports to anybody who asks them.

Company directors were the largest group of Sandford and Morrissey's sample of wealth tax payers and many directors are members of the boards of several companies. Company directors are largely independent of day-to-day control by governments, shareholder or workers and so have considerable power. After land, company shares were the most important source of wealth for wealth tax payers, yet there is very little information available on shareholdings in Ireland. It is not known what percentage of the population owns shares or the value of shareholdings. A sample survey could determine

¹c. Sandford and O. Morrissey, op cit.

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1e. Sandford and O. Morrissey, op cit.

at least the percentage of the population which hold shares and other forms of financial asset. In the U.K. 8.3 per cent of the population owns 94 per cent of listed ordinary shares and 0.1 per cent own a quarter of all capital assets. Information on Irish private limited companies is very sparse, because until last year such companies were not required to submit accounts to the Companies Office. Now, an E.C. Directive which came into effect in November 1988 requires private limited companies to submit limited financial information to the Companies Office. Many wealthy persons form private limited companies in order to avail of the tax advantages of incorporation. A study of the present day corporate elite on the lines of Patricia Kelleher's¹ study of the corporate elite of the 1950s would provide useful information on a significant sector of the wealthy in Ireland. Kelleher identifies the key companies of that period and shows how they were largely controlled by a small number of family networks.

The January 1989 edition of Irish Business published profiles of 45 Irish people who were each estimated to own wealth in excess of £10 million. Most of the 45 had derived their wealth from business and the survey was based on information supplied to the Companies Office supplemented by information on Stock Exchange valuations and other market information. The survey found 1 man with gross wealth in excess of £200 million, 3 with gross wealth in excess of £100 million, 4 with more than £50 million, 12 with £25 million or more. The 45 people between them controlled wealth in excess of £1 billion.

¹P. Kelleher, The Irish Corporate Elite of the 1950s, unpublished Ph.D. thesis, DCD, 1986.

The Irish Business survey dealt only with those owning very great wealth. The question of what amount of assets qualifies a person to be called wealthy is a very difficult one, as difficult perhaps as defining poverty. Public opinion surveys in the U.K. has found that most people there regarded those owning net assets of more than £200,000 as wealthy. This group constitutes about 1 per cent of the U.K. population. Available data are inadequate to calculate a similar statistic for Ireland.

6.2. Land Ownership, Farming and the Bloodstock Industry

Land ownership in Ireland is relatively widely dispersed. Most farms are small by European standards with only 5 per cent being over 150 acres. But this 5 per cent owns 24 per cent of the total agricultural land and many of these farmers are wealthy.

When a land tax was introduced in 1985, farmers with over 150 acres were assessed initially and about 2,000 such farmers were identified. As the land tax assessors continued their assessments for farmers with apparently less than 150 acres, more farmers were identified with 150 acres or more. While the land tax was then abolished upon the change of government, the Farm Taxation Office retains information on farms of more than 150 acres. Since this was available for inspection at the office of each local authority, they are prepared to allow inspection of the list for the whole country.

Sandford and Morrissey's sample of wealth tax payers showed that the second largest group were farmers while farmers with other occupations were also a significant group. Wealthy farmers benefited disproportionately from the EC Common Agricultural Policy. For the purpose of the Farm Modernisation Scheme which operated from 1973 to 1985, farms were classified as commercial, development and other.

Commercial farms were those which generate an income equal to or above the average industrial wage. Development farms were those which had the potential to generate such an income over a period of 6 to 8 years and the 'other' category were farms not in a position to generate such an income. In Ireland only 4 per cent of farms were classified as commercial, 26 per cent as development and the remaining 70 per cent as "other". Commercial and development farms comprising only 30 per cent of all farms received more than half of all grants paid under the Farm Modernisation Scheme while only a very small proportion of farmers with less than 50 acres benefited from the scheme.

While many small farmers live in poverty, a significant minority of larger farmers are wealthy. Although farmers were the second largest group who paid wealth tax, the average income tax payment of the wealthiest farmers in 1986 was less than the average payment of PAYE workers. Clearly, no study of the wealthy in Ireland would be complete without an analysis of this group.

6.3. Bloodstock ownership

Bloodstock breeding is a highly profitable activity which is virtually exempt from taxation. No tax is payable on profits from the sale of thoroughbred horses which are exported. Because of this, there has been increasing investment in the bloodstock industry in Ireland in recent years. There is some evidence that large farms are being partially converted to studs in order to benefit from the favourable tax regime, though much of the profits from such farms may be from beef cattle production rather than bloodstock breeding. A list of Irish stud farms is available from the Irish Bloodstock Breeders Association and, as most studs are limited companies, further information on them is available from the Companies Office.

6.4. High Earning Professionals

The only information on incomes collected by the Central Statistics Office concerns wages in manufacturing industry. No statistics are available from official sources on the earnings of the highest income earners such as managers, lawyers, doctors and dentists. The professional associations of these occupations collect some information on earnings, but this is not very reliable. The annual report of the Revenue Commissioners gives the number of people earning various levels of income up to and exceeding £50,000. The 1986 report records 2,024 people as earning between £40,000 and £50,000 and 2,260 earning in excess of £50,000. Many people receiving very high remuneration, particularly those in top management positions in industry, receive part of their income in company shareholdings. These can be then sold to realise capital gains which are more lightly taxed than earned income.

The accumulation of wealth by self-employed professionals and highly paid employees in the private sector is facilitated by the Irish taxation and company law systems. A study of wealth in Ireland should include a section on highly paid professionals. Although there is little published information in this area, it is possible to compile an economic profile of high earning professionals from income surveys by professional associations, salary and fee scales of public authorities and newspaper reports. The Revenue commissioners also have some data on the occupational structure of high income earners. How the taxation system facilitates tax avoidance and evasion by high income earners and thus enables them to accumulate wealth could also be investigated. Meacher and Pond's book, To Him Who Hath, analyses this aspect of the British tax systems.

6.5. Artists, Entertainers and Sportspeople

Five of the 50 wealthy people profiled in Magill (April 1988) are sportspeople or entertainers. The wealth of this group is obviously derived from exercising talents but, for this group also, wealth accumulation is facilitated by tax and company law. High earners in this group can form companies, to minimise tax payments.

Chapter 7

SUMMARY AND CONCLUSIONS

7.1. The Poverty of Wealth Statistics

While the poor have been extensively studied *in* Ireland and are easily identified, little is known of the rich or the sources of their wealth. Outside of Nevin's and Lyons' work *in* the 1960s, there has been little research on wealth distribution. Information from official sources *is* almost non-existent. The Revenue Commissioners provide very little information on inheritance and what they collect *is* rather difficult to study. The Central Statistics Office collects information on low incomes but not on high incomes. No agency has studied the ownership of such assets as shares and bank deposits and so *it is* not known what proportion of the population owns shares or bank deposits of various amounts. The Central Bank could easily require commercial banks to supply information from which the latter figures could be compiled. The commercial banks argue that individual banks could compare their deposit holdings with those of other banking systems and this might be of competitive value to them. Since the commercial banks are heavily represented on the Board of the Central Bank, they can influence policy of these matters.

Information on size categories of farmers over 150 acres is regarded as confidential information by the Central Statistics Office, though information on large farms is available from the records of the Farm Taxation Office. The inadequacies of Irish Company Law and the failure of successive governments to reform *it* has resulted in very little reliable information being available on private limited companies. In order to meet the requirements of an E.C. Directive, private limited companies are now required to

submit more information and this information, though far from comprehensive, has been available from November 1989.

7.2. The Estate Duty Method and Lyons' study

In the absence of a statutory census of wealth, the best established method of studying the distribution of wealth is the estate duty method, which is based on the assumption that the wealth of those dying in any year is representative of the wealth of the living. The method involves many other assumptions and the statistics on inherited wealth are deficient in many ways. The method was used to estimate the distribution of wealth in Ireland by Lyons using 1966 estate duty data. Although Lyons' study is subject to all the reservations associated with the estate duty method, it is the best estimate of the distribution of wealth in Ireland to date. The data on inheritance tax (which replaced estate duty in 1976) are no more satisfactory than those available to Lyons. Replicating his study would be costly because it would require examining inheritance tax returns which would be difficult without considerable co-operation from the staff of the Revenue Commissioners. The occupational structure of the wealthy could be ascertained by a study of the grants of probate, which may be inspected at the Probate Office of the Four Courts.

7.3. The Process of Wealth Accumulation in Ireland

Estimates of the distribution of wealth based on the estate duty method show a very high degree of inequality in the distribution of personal wealth, though this may be somewhat exaggerated because of the deficiencies of the statistics. Those who argue that the distribution is less unequal than indicated by estate duty estimates point to high levels of home ownership of consumer durables in Ireland. This, however, overlooks the fact that many lower and middle income people have no net wealth because their debts exceed the value of their assets. It is also argued that pension rights

including state pension entitlements are a form of wealth. While pension rights certainly reduce insecurity, they are not marketable or transferrable except to spouses and so cannot be sold in order to invest in other assets or increase consumption. A study of wealth accumulation in Ireland should therefore be primarily focused on transferrable personal wealth.

Some aspects of the Irish taxation and public expenditure systems facilitate the accumulation of wealth and increase inequality. A study of how wealth is accumulated *in* Ireland and to what extent wealth creation involves job creation and increases in overall prosperity would give a useful insight into the origins of the high degree of inequality in the distribution of wealth in Ireland. Such a study would show the extent to which wealth is attained through the exercise of exceptional effort or ability or through property speculation and the exploitation of aspects of taxation and public expenditure. A study of the taxation system and how it contributes to generating inequality, on the lines of Meacher and Pond's To Him Who Bath would be particularly useful.

7.4. Wealthy Groups in Ireland

Popular writing on wealthy individuals often suggests that these people created their wealth singlehandedly out of nothing. Studies of wealthy individuals are useful only if set in an economic context which shows how public policy or lack of it contributes to their wealth. In Ireland, as in other countries, the legislative support of private property, the taxation system, company law and government spending all contribute to enriching certain occupational groups. A study of wealth in Ireland should examine how wealthy groups acquire their wealth and how this wealth accumulation impacts on society in general.

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