THE WIDE SPREAD OF PROPERTY OWNERSHIP IN AUSTRALIA

OFFICIAL statistics do not support the stories spread by Communists and others that the bulk of wealth is in the hands of a few individuals. On the contrary, published figures show that the great bulk of Australian property is vested in hundreds of thousands of small and moderate income-earners, home-owners, farmers, independent business men and investors in all walks of life.

The main conclusions to be drawn from a survey made by the Institute are summarised below:—

- 90% of all property is vested in income-earners receiving a total income from all sources of less than £5,000 per year.
- Out of 2,831,000 taxpayers in 1948-49, only 8,300 persons had incomes (before tax) exceeding £5,000 per annum.
- 83.6% of private incomes in 1948-49 was derived from wages and salaries, personal efforts of working proprietors and social service payments.
- Only 16.4% of total income was attributable to property ownership—1.6% to income-earners above £5,000 per annum and the remaining 14.8% to people earning below £5,000 per annum.
- Over 40% of the private wealth in Australia is in the form of farms, shops and small factories and businesses owned by over 600,000 persons working on their own account.
- There are over half a million shareholders in Australian industry and the shares they own represent about 20% of all private wealth. A great many more people are indirect beneficiaries from shares held by institutions such as life assurance companies.
- Nearly 40% of all private property represents homes, rented property and income-earning assets, such as government or semi-government securities, and bank deposits.
- Over 1,000,000 Australians own or are in the process of owning their own homes. Of the further million tenanted homes the great majority are owned by government housing authorities or people with modest incomes. A recent survey showed that 67% of tenanted houses in Victoria were owned by persons with only one house, and 22% by persons possessing only two houses.
- National Income Statistics suggest that, of every £ spent by the consumer, shareholders' dividends take about 6d. On the other hand, wages, salaries and remuneration of working proprietors take about 15/-.
- An analysis of company share registers reveals that the great majority of shareholders are small investors with holdings of 100 to 500 shares.
- Since 1938 there has been a great expansion in company investment. Owing to the inroads of high taxation, the savings of top income-earners could not possibly provide all the funds required. It is on the ever-widening circle of small investors that companies have relied to finance this great expansion.

THE facts about the distribution of the ownership of property among the community are very imperfectly understood. Many people still believe that property ownership is largely concentrated in the hands of a few rich capitalists, and these beliefs are fostered by propagandists, contemptuous of the truth, whose chief concern is to foment discontent and class hatred.

Here is a field in which the case for free enterprise is seriously weakened, not because of any inherent defects in the system, but simply because of the failure to make the facts widely known. Up to the present there has been an almost complete lack of reliable information about the spread of property ownership in free enterprise countries. It is only now that responsible authorities are awakening to the danger of public ignorance on these vital issues.* Whilst the facts are not available to refute him, the Communist agitator is safe in making the wildest assertions in his efforts to stir up class bitterness and to detract from the national effort. The rare instances of great individual fortunes are constantly cited as evidence of exploitation of the rank-and-file worker, when a proper analysis would disclose that such fortunes are but a drop in the bucket of total national wealth.

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It is possible to obtain a broad picture of the true position in Australia by examining the National Income Estimates and income tax statistics presented to the Federal Parliament with the Budget Papers. The National Income Estimates show the following details of incomes received by **property owners** in 1948/49.

* For example, the New York Stock Exchange is circularising 5,000 listed companies requesting them to provide detailed data on shareholdings. The main purpose of the census is to demonstrate that millions of Americans own the country and not a tiny segment in Wall Street.

TABLE I.

Dividends on Company Shares	£57,000,000
Rent and Interest	£114,000,000
Incomes of farmers, shopkeepers, professional men, derived from their own businesses	£550,000,000
	£721,000,000

Dividends from company shares, and rent and interest, are clear instances of income received from the ownership of property, that is, from investments in company shares, government securities, real estate, savings bank deposits and so on. The incomes of farmers, shopkeepers, members of the professions, etc., derived from their own businesses, are in a different category. A large part of the incomes of these people represents a reward for the planning and work they themselves devote to their businesses. But, some part represents a return on the capital they have invested in their business from their personal savings. Mr. H. P. Brown, former Director of Research of the Commonwealth Bureau of Census and Statistics, has suggested that of the incomes received by these people about three quarters can be regarded as a payment for labour and skill, the other quarter representing a return on invested capital.

On the basis of this estimate, **property income** in 1948/49 may be said, therefore, to be made up as follows:—

TABLE II.

Property Income of Farmers, etc. (¼ of total return)	£137,000,000
Dividends	£57,000,000
Rent and Interest	£114,000,000
	£308,000,000

This figure represents about 16% of the total of all personal incomes. All other income consisted of wages and salaries, incomes going to the proprietors of businesses representing a return for their personal efforts in their business, and social service payments.

The manner in which this income, derived from property, is distributed among the various members of the community is of great social significance. Are the benefits of property ownership concentrated in a few hands or are they shared by many people?

Fortunately sufficient data is available from the income tax statistics accompanying the Federal Budget to make the following analysis of the receipts from property shown in Table II.

TABLE III.

DISTRIBUTION OF PROPERTY INCOME IN AUSTRALIA 1948/49.

1. Income Group.	2. Income from farms and businesses other than private or public companies.	3. Dividend income from shares in companies.	4. Rent and interest, etc.	5. Total Property Income.
£ per annum	% of total property income.	% of total property income.	% of total property income.	%
Untaxed Income	11.9	10.0	19.6	41.5
105- 250	0.8	0.3	2.3	3.4
251- 500	4.3	0.8	4.1	9.2
501- 1,000	7.3	1.4	4.6	13.3
1,001- 2,000	7.4	1.7	3.1	12.2
2,001- 5,000	8.6	2.2	2.2	13.0
5,001-10,000	2.8	1.0	0.7	4.5
10,001-15,000	0.7	0.4	0.2	1.3
Over 15,000	0.7	0.7	0.2	1.6
	44.5	18.5	37.0	100.0

Source: Budget Papers 1951/52, page 166. National Income Estimates 1950/51, page 6.

NOTES:

(a) The figures of property income in the National Income Estimates are obtained from various sources, of which income tax returns are but one. They include the following classes of income not assessed for taxation purposes:

i. An amount for rent imputed by the Commonwealth Statistician to owners occupying their own dwellings—about 13% of total property income. Interest payments by people in the process of becoming home owners may however be taxed in the hands of recipients and may be reflected in column 3, if paid to companies, or column 4, if paid to persons.

ii. Quite significant amounts of dividends, savings bank, bond and other interest and income from unincorporated businesses and farms received by persons below taxation exemption limits or by charitable, religious and other non-profit making bodies and funds.

iii. Dividends specifically exempted by the Income Tax Assessment Act from taxation because they are derived from gold mining operations or from private companies which have prepaid taxes on dividends on behalf of their shareholders.

iv. Small amounts of savings bank and bond interest omitted by wage and salary and other income earners from taxation returns.

v. Any other property income omitted from taxation returns or understated income or income not yet assessed.

(b) The figures in column 2, being one quarter of the total personal exertion income of each group shown, represent a return on the capital invested by all proprietors of businesses and farms, other than companies. Income on additional capital employed, i.e. rented property or borrowed money is reflected in columns 3 and 4.
(c) The figures in this table represent all incomes received by people in their private capacity and in virtue of their ownership of property.

As the income figures dissected in Table III above are directly related to the value of the company shares, bonds, real estate and other property held, they must give, at the very least, a broad indication of the various ways in which property in Australia is owned by different income classes. It is also fairly clear from a study of the notes to the table that a very large part of property income not assessed for taxation accrues to persons in the lower income brackets or to charitable and other institutions exempt from taxation.

For the purpose of showing the relative proportion of property owned by the "wealthy," a dividing line may be drawn between incomes of over £5,000 a year and less than £5,000. Out of 2,831,418 taxpayers in 1948/9 only 8,282 persons had incomes exceeding £5,000. Untaxed income received by this group, other than tax exempt dividends, would therefore be almost infinitesimal. Even with the liberal addition of a further 2% of total property income to cover tax exempt dividends which may have been paid to income earners above £5,000 per annum, Table III would still show a great preponderance of property in the ownership of income-earners below £5,000. Table III has been redrafted to show the following approximate comparisons.

TABLE IV.

PROPORTION OF PROPERTY INCOME IN AUSTRALIA RECEIVED BY PERSONS IN RECEIPT OF INCOMES ABOVE AND BELOW £5,000 PER ANNUM.

Income Group.	Income from farms and businesses other than companies.	Dividend Income.	Rent and interest, etc.	Total Property Income.
	%	%	%	%
Below £5,000 p.a. or exempt charitable bodies, etc.	40	14¼	35¾	90
Above £5,000 p.a.	4½	4¼	1¼	10
	44½	18½	37	100

The main conclusions to be drawn from Tables III and IV are:—

1. Over 40% of the national wealth of Australia, owned by people in a private capacity, is comprised of the equity of proprietors in farms, shops, factories and other premises and equipment used in carrying on their own businesses. The 1947 Census showed that there were 640,000 persons engaged in their own businesses.
2. About 20% of all private wealth represents the value of shares in public and private companies. Possibly half-a-million people are directly interested in dividends from company shares, but a great many more are indirect beneficiaries from shares held by in-

stitutions such as life assurance companies.

3. Nearly 40% of all private property represents homes, rented property and all other income-earning assets other than in columns 2 and 3. A large part of the income from this property is exempt from taxation because it includes imputed income on owner-occupied dwellings, and interest and rent received by non-profit organisations and very low income earners. Over one million Australians own or are in the process of owning their own homes. The 1947 Census revealed that 838,000 people owned their own homes and another 148,000 were purchasing homes by instalments. Of the further million homes occupied by tenants the great majority are owned by government housing authorities or people with modest incomes. A recent survey conducted by the Real Estate and Stock Institute in Victoria disclosed that 67% of tenanted houses were owned by persons with only one house and 22% by persons possessing only two houses.

4. Only 10% of total property wealth is owned by persons in receipt of incomes above £5,000 per year. 45% of this wealth is represented by farms, shops and businesses; 42½% by shares in companies, and the remaining 12½% by all other property.

Statistics of the distribution of income arising from the ownership of property thus do not bear out the stories about the preponderance of wealth in the hands of a few individuals. The great bulk of Australian property is vested in hundreds of thousands of small and moderate income-earners—home-owners, farmers and independent businessmen and investors in all walks of life.

SHARE OWNERSHIP.

Share ownership has a particular fascination for many propagandists; for here they imagine are great fruits derived from exploiting the worker and the public. No one wishes to pretend that there are no instances of excessive dividend payments. But over the great range of industry, company dividends are a legitimate and, in some cases, an inadequate return for the risks and sacrifices incurred by investors. The National Income statistics suggest that of every £ spent by the consumer, shareholders' dividends take about 6d. and wages and salaries and other payments for labour about 15/-.

The figures in Table III indicate that there is a wide spread of shares throughout the various income levels of the community. Indeed the aggregate holdings of income-earners, in the £105-£500 per annum group, exceed the total holdings of the very wealthy with incomes over £15,000 per annum. The device of the joint stock company was instituted precisely because of the inadequate capital of the founders of businesses and their need to tap the savings of the mass of the people.

Analysis of company share registers also reveals a great preponderance of shareholders with holdings of 100 to 500 shares.* The following table shows the average size of holdings in miscellaneous industrial companies listed on the Melbourne Stock Exchange:—

* From details published in certain company Annual Reports and a study of 30 representative public companies by R. K. Yorston (Page 18 "Some Accounting Implications arising from the Corporation viewed as a Social Unit," The Sixth Commonwealth Institute of Accountants Research Lecture delivered at Sydney University, 6th September, 1951).

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TABLE V.

1. Paid-up Capital of Companies	2. Total Paid-up Capital £	3. Estimated No. Shareholders	4. Average Shareholding £ units
Under £3,000,000	225,000,000	600,000	375
£3,000,000 and over*	132,000,000	185,000	714
	357,000,000	785,000	455

* Excluding two large overseas companies and an interstate electricity undertaking listed on the Melbourne Stock Exchange.

SOURCES:

Columns 1 and 2, Melbourne Stock Exchange Official Record.

Column 3. For companies with paid up capital of £3,000,000 and over—actual figures published or provided by the companies concerned. For companies with paid-up capital below £3,000,000—a representative sample of company shareholdings, comprising about 1 in 10 of the total number of companies in the group.

The information in Table V, whilst indicative of a large number of individual names recorded in share registers, does not of course reveal an exact picture of share ownership. Some duplication is inevitable as many people hold shares in more than one company. The figures are further complicated by the fact that shareholdings may be registered in the name of brokers and other nominees, such as banks and trustees, or represent joint interests as in the case of married couples. Large blocks of shares may also be held by public companies (notably overseas and local parent companies establishing or acquiring an interest in Australian concerns), trust estates, superannuation and employee share-purchase funds, life assurance and investment companies in which many thousands of persons are beneficially interested. The average shareholdings in Table V are probably, in most cases, materially overstated, because of the presence of these corporate interests.

The average shareholdings of the group of companies having paid-up capital of £3,000,000 and over are particularly subject to exaggeration because of shares held by overseas and local companies and by institutional investors which regard "market leaders" as safe investments. For example, the average shareholding of British-Tobacco (Australia) Limited with paid-up capital exceeding £12,000,000, is reduced from £900 to £400 if corporate interests are excluded.

THE WIDENING CIRCLE OF SMALL INVESTORS.

An observation made in 1945 by the Committee on Company Law Amendment in England is equally applicable to Australia. "In the last hundred years there has been a great redistribution of wealth, so that many small investors have holdings in companies. The tendency is growing at the present time, and the number of shareholders is likely to increase further, with a corresponding diminution in the size of the average shareholding." Participation in the new share issues of public companies and the breaking up of the estates of original investors is similarly leading to a wider diversification of property ownership here.

There could be no better mirror of the great industrial development made possible by joint stock company investment than the comparative statistics of the listings of investment shares (excluding mining) on the Melbourne Stock Exchange since 1889. Here are the figures:—

TABLE VI.

Year	Listed Capital £m.
1889	31
1919	70
1930	194
1938	209
1948	280
1952	430

NOTE: The figures in later years reflect to some extent the falling value of the £. The table includes all companies—banking, financial, pastoral, etc., besides miscellaneous industrials.

Source: Monthly Guide on Investments, 1889. Annals of American Academy of Political and Social Science, November, 1931. Melbourne Stock Exchange.

In the pioneering stages, the volume of savings in Australia was meagre and it took 30 years to double listed capital. But in the great 10 years of development following World War I, share capital nearly trebled, to slacken abruptly with the onset of the depressed thirties. Company investment since 1938 has been unparalleled. At a time when taxation was making very heavy inroads into high incomes, listed share capital doubled. The savings of top income-earners could not possibly provide all the funds required. It is on the ever-widening circle of small investors that companies have relied, and must look to in the future, to finance the great developments ahead.

(See Charts and Notes on pages 16 and 17)

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