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As the election looms it's worth looking at the real division - wealth

By David McWilliams

A little while ago, I presented a programme on RTÉ called 'Ireland's Great Wealth Divide'. The aim of the documentary was to highlight the significant and persistent divide in wealth that exists in Ireland. The reason it is an important issue to highlight is that even when the economy recovers, the benefits will not be evenly – or even remotely evenly – spread and this wealth divide has significant, long-term ramifications for the health of the society.

At the time of screening, there were some people who, like climate change deniers, continued to express the opinion that the wealth divide in Ireland was not a big deal and that it might be overstated.

This is not the case, and in the past few weeks, two other major studies – one by TASC and one by the OECD – have added to the canon of work proving that the divide in wealth in this country is a serious issue and that in the past few years, the divide between the income of those at the very top and those at the bottom has also increased.

This divide is important, because if people get left behind they may give up hope. Having wealth or having even a meagre stake in society changes the way people view themselves and the way they view the future.

For example, consider this one experiment involving a group of poor American families. Some of the parents were given a small savings fund, which was to be set aside for their children's university fees when the kids grew up.

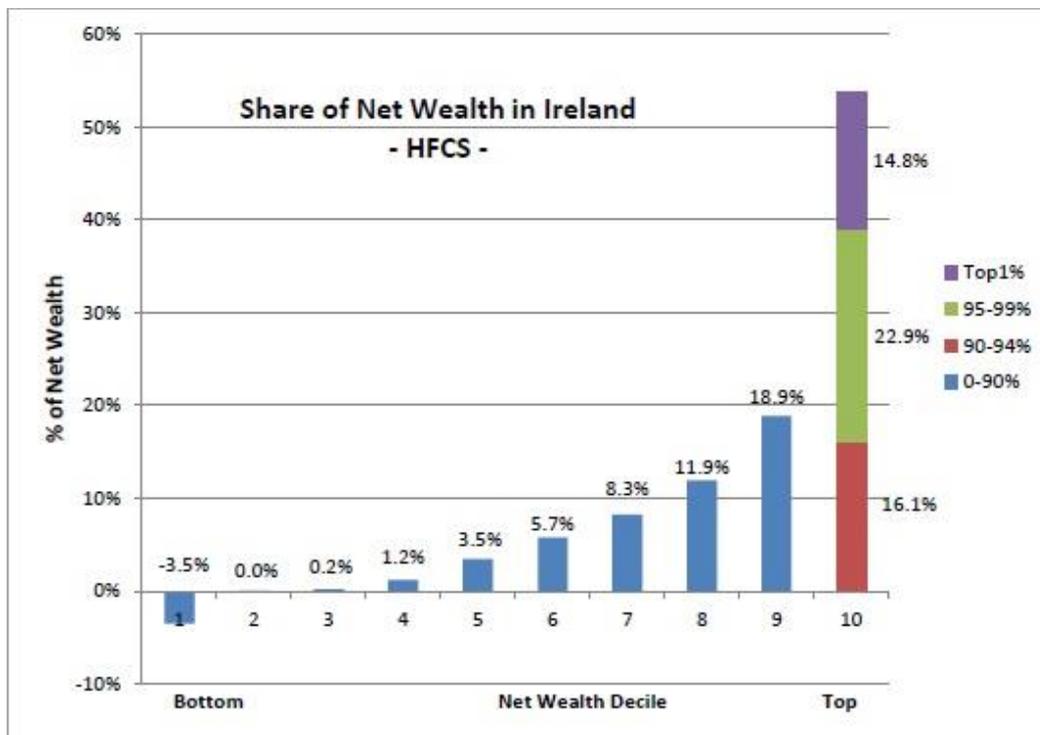
The kids were then assessed for cognitive reasoning every two years and, by the fourth year, the children whose parents had the small education fund were

performing better in all tests than those who hadn't received the fund. The implication of this is that the parents with this small stake in the future were changing their own behaviour towards their children's education, such as reading to them, paying more attention to their homework and so on. This is extraordinary, because it reveals what having a stake in society, having something to aim for, does to people. It focuses people and gives them something to believe in.

If people have something small – a savings fund, a bit of wealth, a sense that they matter and that their future is in their hands – they change their behaviour for the better. Now armed with this type of thinking, look at the two almost identical charts. These show how wealth is divided in Ireland. One chart represents the estimates of the international bank Credit Suisse and the other represents the findings of the Household Finance and Consumption Survey. These charts are taken from the recent TASC paper published last week entitled 'The Distribution of Wealth in Ireland'. I urge you to read it if you have any interest in the future of this society.

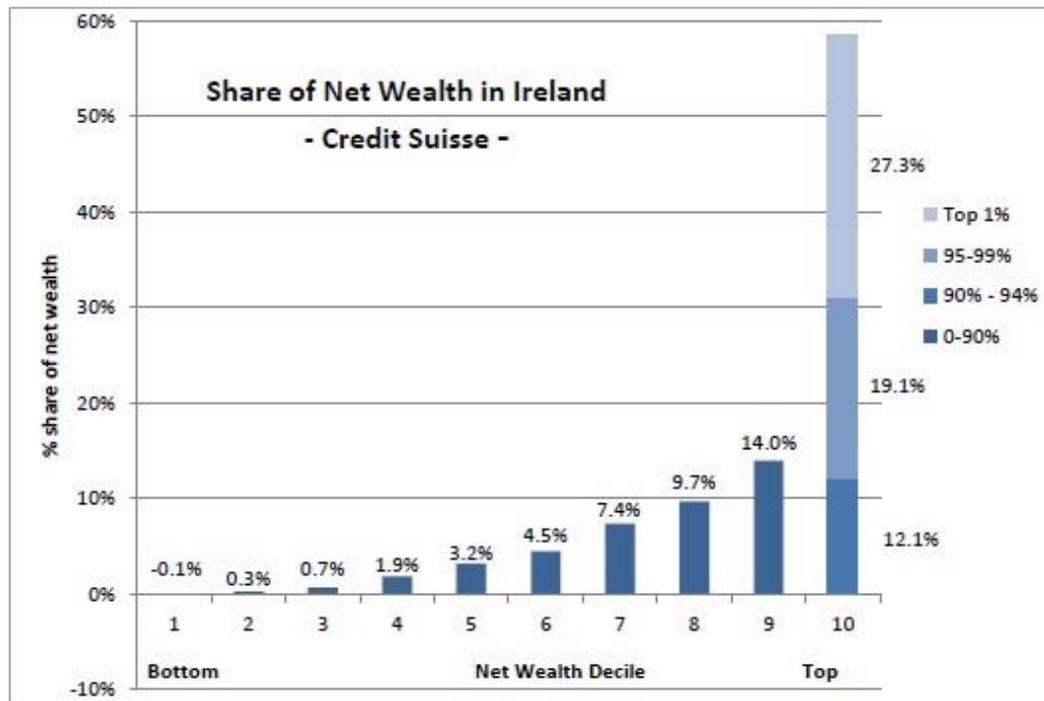
If we look at the share of the wealth owned by the top 10pc, top 5pc and top 1pc in Ireland, we see similar evidence produced by both reports. According to the survey carried out by the CSO the top 10pc own 53.8pc of the wealth of this country; the top 5pc own 37pc of the wealth; and the top 1pc own 15pc.

FIGURE 1 HFCS CHART



According to Credit Suisse, the concentration at the top is even stronger. Its estimates suggest that the top 10pc own 58.6pc of the wealth; the top 5pc own 46.4pc; and the top 1pc own 27pc. Even taking into account the slight disparity, the concentration of wealth at the very top in both studies is extraordinary on any democratic basis.

FIGURE 2 CREDIT SUISSE CHART



Indeed, because the CSO data is from a survey in which it asked people to declare their wealth, there is a very strong possibility that at the very top the very rich decided to understate their wealth, so the very rich might have played down their assets. The difference between the two is the split within the 10pc; not the split between the top 10pc and the rest. In both studies, the top 10pc own over half the wealth of the country.

The interesting aspect of these studies is the sense that Irish people know things aren't right. We feel that something is not right and every time we are asked we say that we would prefer the society to be fairer. In the programme 'Ireland's Great Wealth Divide' we conducted our own survey, where we asked people what they thought was the gap between the top 20pc and next 20pc and so on, down to the people at the bottom. We asked what you thought the gap was, then what you thought it "ought" to be and then we revealed what it actually was.

The gap between what you thought it was, what you thought it ought to be and what it is in reality is a huge one.

The consensus from a Red C poll of 1,000 people commissioned for the documentary was that Ireland's richest 20pc had 60pc of the country's wealth and that the poorest 20pc have 11pc.

The reality? The most affluent 20pc in Ireland actually own 73pc of the country's wealth and the poorest 20pc own just 0.2pc. As for the top 5pc, their combined wealth is nearly double that of the entire "squeezed middle".

Now look at the people at the bottom in Ireland in the two charts. While there are slight variations, the overall message is very clear. The charts are broken down into the top 10pc and down to the bottom 10pc.

Don't just look at the very bottom, who have nothing, but look at the bottom 50pc – they own almost nothing of the country.

These are the facts. This is not opinion. This is Ireland.

As we head into an election year, it's worth considering just how many people are being left behind, how many are being shut out. Consider how many people wake up with no hope, no stake, no way of seeing how they play a role in our society, no way of seeing a road map to a better future.

That's what the wealth gap is all about. It is undeniable and it is persistent. Shouldn't this be the main electoral issue next year in the year that we celebrate the centenary of a Republic that was supposed to cherish all the children equally?

But will it be?