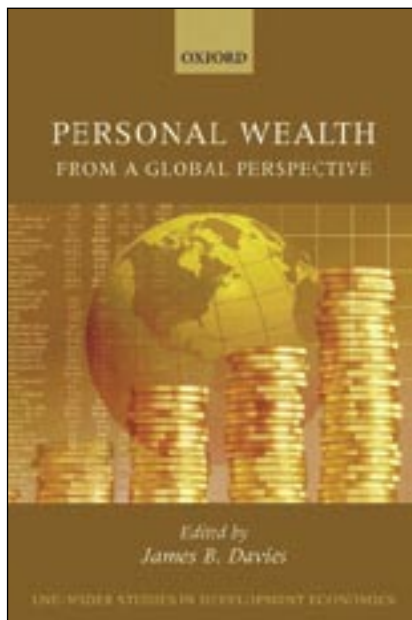


# Personal Wealth

## from a Global Perspective

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Although there is a rich literature on the comparative distribution of income and the threat that racially based inequalities in South Africa pose to the quality of democracy and political stability, we know very little about the distribution of personal wealth. And yet wealth may be more important than income in shaping the quality of a person's life.

In part at least, this vacuum is the result of methodological barriers. While income is relatively easy to measure through official statistics, "wealth" is far more difficult to quantify as it includes ownership of property, capital, savings, shares and businesses. *Forbes* magazine's list of the super-rich includes the self-made wealthy, such as Bill Gates and Warren Buffet, while few of the "old" rich make the list. Does this reflect

the size of recent fortunes, or is it a reflection of old money's ability to hide itself from public scrutiny (and hence taxation) through trusts, offshore or third-party accounts and dummy corporations?

This important study was undertaken for the United Nations University by a group of scholars from many countries, including Russia, China, the US, Brazil and South Africa. Although titled a "global perspective", most contributions focus on states in transition and the developing world, which makes the findings of particular relevance to South Africa.

It examines a wide range of important topics, including the importance of gender, land reforms, and wealth in the informal sector. How wealth was created is also significant. In many societies, it has been through technological innovations, for instance Google and Microsoft in the US. In Russia, however, vast wealth transfers took place when state assets were "privatised". In 2004, the 26 wealthiest Russian tycoons had an estimated combined wealth equivalent to 19 percent of the total GDP – and none of it was created through market-based entrepreneurial activities!

Disturbingly, the distribution of wealth is found to be even more unequal than the distribution of income. The authors estimate that the global Gini index of wealth inequality is a staggering 0.89, significantly higher than that of income distribution, estimated at approximately 0.70. All societies, including democracies, are characterised by massive wealth inequalities that must influence the quality of their governance. In Switzerland, the top 10 percent control 71.3 percent of the nation's wealth, while a mere 1 percent controls 34.8 percent. Globally, the study estimates that 1 percent of the population owns 40 percent of global assets.

Wealth inequality has several dimensions, including inequality within countries and inequality between countries. The book does not provide any detailed estimates of the distribution of wealth in South Africa, but if income distribution is a reliable indicator of the distribution of wealth, then South Africa must be at or close to the top of the league of unequal states. The irony of the stability which the ANC has brought to the South African political economy is that it has contributed to a remarkable boom in property and share prices that has significantly increased wealth inequalities. And if policy makers have found it difficult to reduce income inequalities, the mind boggles at the thought of attempting to reduce the assets of the truly wealthy.

