
Appendix Twelve

Method of Adjusting Distribution of Assets

(See Chapter 9, Table 9.1, page 342)

In Chapter 5 we compared aggregate figures for assets (grossed up from sample) with Inland Revenue figures. We can also compare these estimates with balance-sheet estimates produced by Revell and Tomkins. Allowing for certain problems of definition, our estimates for dwellings plus land and other buildings, and even consumer durables, seem broadly to reflect estimates of aggregate national value. But our estimates are much too low for savings and stocks and shares.

There is reason to believe that our estimates of percentage shares of wealth are too low for the top groups, i.e. the top 1 per cent, next 4 per cent and, possibly, next 4 per cent. There are three contributory reasons:

1. On the basis of the information we collected about non-respondents (Chapter 3), it seems that slightly *more* non-respondents than respondents were wealthy. However, our information does not suggest that this was more than a slight deficiency.
2. Among respondents, more of the rich than of middle-income and poor groups did not give complete information. First, we produced tables showing what numbers and percentages of different groups of households ranked by income were not counted as complete for assets. Secondly, we produced a special print-out for every household in the sample, ranked by household net disposable income and such income expressed as a percentage of supplementary benefit scale rates. Moreover, some of the rich households rejected from the analysis of assets had disclosed enough information about a variety of questions to allow a *minimum* estimate of their wealth to be given. There were three, for example, with a minimum of between £118,000 and £131,000 each, and another three with between £50,000 and £100,000. Even without adding any allowance to these estimates, their reintroduction into the rankings would have the effect of increasing the percentage share of the top 5 per cent.
3. Values of assets were underestimated by our informants. Often we are sure that this was because questioning should have been more detailed for wealthy informants. We do not believe underestimation was proportionately uniform from top to bottom of the income scale. Thus 82 per cent of the aggregate value of stocks and shares admitted to be held by the sample was held by the top 5 per cent. The corresponding figure for savings was 27 per cent. These two categories of asset were substantially underestimated.

The first of these sources of underestimation of the percentage share of riches held by the top 5 per cent seems to be small and will be ignored. There is no basis on which an adjustment can

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be made.

The second is more promising. There were 1,764 households with complete information for income, and 1,533 of these complete for assets. This means that 13 per cent were incomplete. But twenty-six of the 100 top-ranking households for income gave incomplete information on assets. We replaced half of these, and entered the incomplete information for their assets.

Finally, we made some allowance for underestimation. We assumed that the underestimation of stocks and shares and of savings was proportionately uniform for the percentage ranks into which they had been distributed, namely, the top 1 per cent, next 4 per cent, next 5 per cent, next 10 per cent, and so on.

Table A12.1.

	<i>Unadjusted sample aggregates</i>	<i>Including 13 additional rich households</i>	<i>Adjusting for stocks, shares and savings</i>	<i>Percentage of adjusted aggregate net assets</i>
Top 1%	1,515,143	1,765,000 (adding £250,000)	2,615,000	26.0
2-5%	1,277,533	1,698,000 (adding £420,000)	2,498,000	24.9
6-10%	866,949	927,000 (adding £60,000)	1,287,000	12.8
11-20 %	1,071,536	1,122,000 (adding £50,000)	1,532,000	15.3
21-100%	1,512,118	1,522,000 (adding £10,000)	2,112,000	21.0
	6,243,279	7,034,000	10,044,000	100.0

The adjustments are shown in Table A12.1 (used as a basis for the third column of Table 9.1, page 342). This gives a mean of £6,107. National wealth would therefore on this basis be approximately £115,000 million for 1968-9.

Thirteen added (but therefore displacing others at the foot of each of the percentage groups):

£131,000
 121,000
 119,000
 75,000
 52,000
 48,000
 (45,000)
 (45,000)
 36,000
 30,000
 (30,000)
 (30,000)
 (30,000)

792,000

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sum = £6,243,000 = 1,630 *sample*
 £7,035,000 = 1,643 adjusted sample

includes £952,000 savings (x 2.7)
 £702,000 stocks and shares (x 3.0)
 But should include £2,570,000 savings
 £2,106,000 stocks and shares
 ∴ additional £1,618,000
 £1,404,000

		<i>Multipliers</i>		<i>Multipliers</i>	
has been divided as follows:	Top 1%	£200,000	(0.06)	£650,000	(0.43)
	next 4 %	£300,000	(0.16)	£500,000	(0.37)
	next 5 %	£240,000	(0.15)	£120,000	(0.10)
	next 10%	£350,000	(0.22)	£60,000	(0.05)
	bottom 80%	<u>£520,000</u>	(0.41)	<u>£70,000</u>	(0.05)
		£1,610,000	(1.00)	£1,400,000	(1.00)