

## A: Wealth, Income, and Poverty

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# 6. *The Distribution of Wealth and Riches*

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### THE DISTRIBUTION OF WEALTH

How unequal is the distribution of wealth? In Canada, our data come primarily from the Survey of Consumer Finances. Table 6-1 presents SCF estimates of the distribution of wealth in Canada in 1970 and 1977.

Of course, there is a vast difference between the relatively wealthy (top 10 percent) and the very rich (top 1 percent). Davies (1979) has made very careful adjustments to the 1970 Statistics Canada figures to correct for errors and omissions in the initial survey, and estimates that the top 10 percent of Canadian families owned 58 percent of all net assets, but of that, roughly a third (19.6 percent) was owned by the top 1 percent of families and over two thirds (43.4 percent)

by the top 5 percent. [He estimates the inequality of total wealth distribution to be considerably greater than the inequality of income distribution.] If we look at the distribution of wealth *per adult* and update Davies' figures for the growth of GNP between 1970 and 1980 we get Table 6-2.

Neither Table 6-1 nor Table 6-2 reveals, however, that some forms of assets are very narrowly held in Canada. The Survey of Consumer Finances states that in 1970, 87.7 percent of Canadian family units reported owning no publicly traded stock at all, while only 3.2 percent reported owning \$5000 or more (Statistics Canada, 13-547:105). This evidence may be flawed (see Davies, 1979) but it clearly shows that direct stock ownership is restricted to a very small fragment of Canadian society.

Davies (1979:242) has estimated that stock ownership constitutes only approximately 9 percent of the total assets of Canadian families. Other financial assets include equity in business interests, life insurance and funded pension plans, bonds, and deposits in banks

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and other financial institutions. [For most Canadians, tangible assets such as houses, other real estate, automobiles, and consumer durables are the main form of wealth holdings.] Davies is considering, of course, wealth as comprehensively defined, i.e., the value of *all* assets (minus debts) owned by the household. Were the definition narrower, the share of the top 10 percent or top 1 percent would be higher.

## THE DISTRIBUTION OF RICHES

Most students consider discussion of definitions to be a bore and accept them uncritically, impatient to get on to the "real thing." This is a great mistake, as apparently quite subtle differences in initial wordings can be magnified by their subsequent logical development into very different perceptions of

**TABLE 6-1** The wealth distribution of Canada (as measured by the Survey of Consumer Finance) 1970 and 1977.

Decile	Family units ranked by wealth						Family units ranked by income		
	Financial assets		Total assets		Net worth		-Share of net worth-		Decile
	1970	1977	1970	1977	1970	1977	1970	1977	
(Share of) poorest									lowest income
10%	0.0	0.0	0.0	0.0	- 1.0	- 0.6	4.4	4.0	10%
2	0.1	0.1	0.2	0.3	- 0.0	0.1	6.0	5.0	2
3	0.3	0.4	0.6	0.9	0.3	0.6	7.0	6.4	3
4	0.7	0.9	1.4	2.3	1.3	1.7	6.8	6.4	4
5	1.2	1.5	3.2	5.0	3.0	3.6	6.7	7.1	5
6	2.2	2.6	6.3	7.4	5.4	6.0	7.3	7.9	6
7	4.0	4.5	9.6	9.6	8.3	8.6	8.4	9.0	7
8	7.3	8.0	12.7	12.2	11.8	12.0	10.6	10.0	8
9	15.1	15.0	17.5	16.8	17.6	17.5	11.5	12.7	9
(Share of) richest									highest income
10%	69.1	67.0	48.5	45.6	53.3	50.6	31.3	31.6	10%

**Financial assets** = deposits, cash, bonds, stocks, mortgages, etc.

**Total assets** = financial assets, business equity, real estate, automobiles

**Net worth** = total assets - debts.

**Source:** Oja, 1980:352

**NB:** The left column refers to decile rankings of family wealth from the poorest (in the top row) to the richest (in the bottom row). The three columns on the right array family units by income deciles, showing the percent of net worth controlled by each decile grouping.

the world around us. [In 1977 the median wealth of Canadian family units was estimated by the Survey of Consumer Finances to be \$22 298 (Oja, 1980:351), a sum which could easily be accounted for by a car, a small bank balance, and a modest amount of equity in a home. It is likely that many of those Canadians who are in fact in the *top* half of the wealth distribution do not consider themselves to be rich. When most people talk of "the rich" they usually appear to mean other people who have a large amount of money (or assets which can be converted to money) which they can spend as they wish.] Suppose, therefore, that we had defined "riches" as an individual's stock of discretionary purchasing power, which might seem an unobjectionable, common-sense idea underlying wealth. We would then have had to define the difference between "discretionary" and "non-discretion-

ary," and might well have adopted the idea that "non-discretionary" expenditures on assets are those expenditures which are socially required by one's occupation or work role.

[It is a commonplace observation that some occupations require the ownership of tools (e.g., mechanics) or expensive clothing, and that some positions require entertaining, which mandates a certain size of house and quality of home furnishings. More importantly, some occupations, such as fishing or farming, require the possession of assets for which rental markets in Canada are poorly developed. These assets may be worth a great deal if sold, yet the owners cannot sell without fundamentally changing their occupation and lifestyle. Hence, the owners have a relatively small stock of purchasing power which can be used for personal consumption.] The extent to which other owner-

**TABLE 6-2** Estimated wealth per Canadian adult\*—1980.

	<i>Number</i> (1)	<i>Total net worth</i> (assets—debts) (2)	<i>Share</i> (3)	<i>Per adult</i> (2) ÷ (1)
Top 1%	165 000	\$146 361M	18.8%	\$887 040
Next 4%	661 000	187 623M	24.1	283 847
Next 5%	826 000	110 549M	14.2	133 837
(Total top 10%)	(1 653 000)	(444 534M)	(57.1)	(268 925)
Next 10%	1 653 000	126 120M	16.2	76 297
(Total top 20%)	(3 306 000)	(570 654M)	(73.3)	(172 611)
Next 40%	6 612 000	200 857M	25.8	30 377
Bottom 40%	6 612 000	6 228M	0.8	1 002
Totals	16 530 000	\$778 519M	100.0	47 097

\*i.e., wealth per household ÷ number of adults in household; M = million

Sources: Davies (1979); Statistics Canada, 91-202; Bank of Canada 5/80.

ship patterns are socially required would be a grey area of such a definition, but grey areas also exist in the computation of income in kind or of "wealth" in the standard definition. If we adopted the stock of discretionary purchasing power held by an individual as our idea of riches, we would probably have to exclude from its measurement most consumer durables (e.g., automobiles) and a good fraction of farm real estate and housing stock. We would also have to exclude the "transactions balances" which Canadians hold to finance current purchases.

Since most of the assets of the poorest 80 percent of Canadian families are of exactly these types the resulting riches would be distributed more unequally than "financial assets" (column 1 of Table 6-2), which are considerably more unequally distributed than the total wealth of Canadians as conventionally defined. One would then make statements such as: "According to the SCF, over 70 percent of the riches of Canada were owned by the richest 10 percent of family units in 1977," rather than saying: "According to the SCF, 50.6 percent of the wealth

**TABLE 6-3** Illustrative list of Canadian companies controlled by five Canadian families (July 1979).

<i>Weston</i>	<i>Black</i>	<i>Thomson</i>
B. C. Packers	Massey-Ferguson	Thomson Newspapers
Loblaws	Perkins Engines	Hudson's Bay Co.
Weston Bakeries	Argus Corp.	Simpson's
Bowes	Standard Broadcasting	Zellers
Neilson	Dominion Stores	Scottish & York Insurance
Super Valu	General Bakeries	McCallum Transport
Nabob	Hollinger Argus	Fields Stores
Eddy Paper	Labrador Mining	International Thomson
Donlands Dairy	CFRB, C/JAD	Woodbridge
& 166* others	& 70* others	& 119* others
<i>Desmarais</i>	<i>Irving</i>	
Power Corp.	Irving Oil	
Laurentide Financial	Saint John Shipbuilding	
Canada Steamship	Saint John Pulp and Paper	
Davie Shipbuilding	Consolidated Fisheries	
Consolidated Bathurst	Kent Homes	
Kingsway Transport	Chipman Timber	
Montreal Trust	Atlantic Truck & Trailer	
Great West Life	N.B. Publishing	
Voyageur Colonial	First Maritime Mining	
& 208* others	& 156* others	

\*approximate number

**Source:** Statistics Canada, 61:517 and Galura, special tabulation.

(net worth) of Canada was owned by the richest 10 percent of family units of 1977." Clearly, our idea of the extent of inequality would be considerably altered.

## THE GREAT FAMILY FORTUNES OF CANADA

Great family fortunes are clearly an important part of the Canadian picture, as the largest of them are very large by any standards. Table 6-3 provides a partial list of the major companies controlled by the Weston, Black, Thomson, Desmarais, and Irving families. Other families whose companies make the top 100 industries are the Schneider, Webster, Mara, Gordon, Bentley, Prentice, Sobey, McLean, and Child families. Among the top 50 merchandisers of 1979 one can count 20 foreign-controlled enterprises and 26 family firms. In addition to those families already mentioned, they include the Eaton, Steinberg, Wolfe (Oshawa Group), Billes (Canadian Tire), Woodward, Scrymgeour (Westburne), Kay, Posluns

(Dylex), Cohen (General Distributing), Richardson, Reitmans, and Birks families (and a dozen others). Other sectors show the same picture. As many have noted (e.g., Porter, 1965:241), it is a very different picture from the U.S., where dispersal of stock ownership has produced, much more frequently, a separation between ownership and control. After examining the 146 private Canadian-owned companies which had assets of more than \$100 million in 1975, Niosi (1978: 167) concludes, "Of the 136 companies for which we possess information, 68 percent are controlled by individuals, groups of associates, or families."

Although these families control, in some cases, billions of dollars in assets and hundreds of millions in annual investment, the probability of any of them being selected in the random sample of 15 000 families from the Canadian population on which wealth distribution statistics are based is nearly zero, and the probability of their co-operating in such a survey is almost certainly even less. Their holdings do not, therefore, appear in the statistics cited in Tables 6-1 and 6-2. They do, however, exist.

## REFERENCES

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