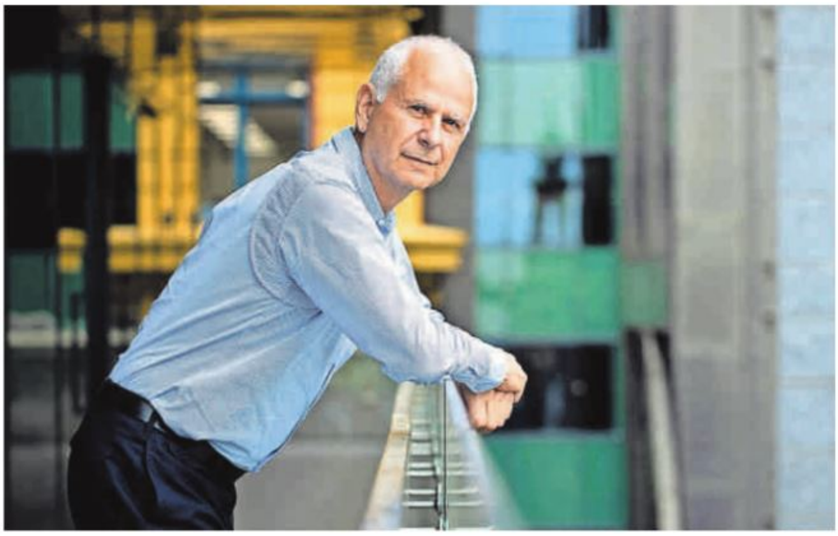

Entrepreneur/investor and philanthropist Alan Schwartz. PHOTO: ARSINEH HOUSPIAN

Changing make-up of Rich List is a real risk

Opinion

Alan Schwartz

As an aspiring entrepreneur in the early 1980s I was fascinated by the Rich List – a listing of the wealthiest 200 Australians. Over the years, my interest waned and then lapsed, until 2024 when, for the first time, my name appeared on the list, forcing me to revisit an old haunt.

I was staggered by the increase in wealth of the Rich List in that 40-year period and decided to compare it to the rest of the population. This is what I found.

In the 40 years between 1984 and 2024 the average wealth of all Australians (adjusted for inflation) increased from $160,000 to $600,000 – a compound annual growth rate of 3.54 per cent.

In the same period, the average wealth of those on the Rich List increased from $130 million to $3.1 billion, a compound annual growth rate of 8.2 per cent. In 1984, the wealthiest 200 Australians had a combined wealth of $26 billion – in 2023 this was $626 billion. (In 2025, total wealth is $667 billion.)

As I read a mouldy-looking copy of the 1984 list, I recalled my youthful admiration for the great entrepreneurs listed, including not only my beloved late father-in-law Marc Besen but also Lindsay Fox, Bruno Grollo, Craig Kimberley, Reg Grundy, Erwin Graf, Frank Lowy, Kerry Stokes and Reg Withers, to name just a few. I believed that their wealth was a fair and necessary reward for their risk-taking, innovation and value creation, and that all Australians benefited from their hard work.

However, in 2024, after 40 years as an entrepreneur and investor, and 25 years as a community leader, philanthropist and social activist, my admiration for the 200 individuals and families on the Rich List is more nuanced and conditional.

I still believe that wealth is earned and deserved when it creates value for society. But this cannot be assumed. To be deserved, wealth must be earned not only by the letter of the law, but also by its spirit.

It must not be earned by leveraging economic power into regulatory privileges and tax concessions when these privileges and concessions are against the public interest. It must not be earned by opposing new laws and regulations that are in the public interest. When it comes to politics, business must be a rule taker and not a rule maker.

It is not possible or appropriate to generalise about those on the list or to single out individuals. I am confident that many deserved their wealth; some didn't. Some created extraordinary value; others did not. But looking forward, I am far clearer-headed.

Although a moral argument may be made in favour of a wealth creator's right to dispose of their assets as they choose, there are stronger moral and pragmatic arguments as to why this massive increase in inequality will become increasingly unfair and harmful.

This is because a significant proportion of the $667 billion that will be bequeathed intergenerationally will be managed by a new and rapidly growing wealth management industry.

Wealth managers are professional investors, optimising risk and return but relying on others to innovate and create value. When these inheritances are managed by wealth managers, we can expect a significant reduction in risk taking, innovation and value creation.

Nor can we justify the wealth of beneficiaries by their hard work. They can simply employ the best and the brightest, set their objectives and their risk appetite, and monitor results.

This wealth inequality will become a cancer on our wonderfully egalitarian ethos and history.

What about the effects of creative destruction in a competitive capitalist system? Or more colloquially, "The first generation makes the money, the second spends it and the third loses it"? Won't this inequality sort itself out over time?

I fear this is wishful thinking. Due to the nature of many of the assets being transferred – along with exclusive ownership of scarce and non-reproducible resources, monopolies and oligopolies, network effects, regulatory privileges, tax concessions and so on – this massive wealth transfer will not be dissipated; it is more likely to be sustained and increased when combined with the skills and resources of wealth managers.

Without an explicit policy response, this wealth inequality will become a cancer on our wonderfully egalitarian ethos and history.

And this brings me to my greatest fear: that the Rich 200, increasingly populated by beneficiaries, admirably served by their wealth managers, may not be content to be rule takers. They may choose to use their financial resources to defend barriers to competition and extend regulatory privileges and tax concessions. This is not a fanciful fear; we can already see examples in our politics and our media.

I am both an entrepreneur and a beneficiary. My house is made of glass. And yet, I feel compelled to draw attention to this profound and disturbing risk. I feel compelled to throw this stone.