Book Review/Compte rendu

Jens Beckert, *Inherited Wealth*. Translated by Thomas Dunlap. Princeton, NJ: Princeton University Press, 2007, 384 pp. $US 39.95 paper (978-0-691-13451-2), $US 85.00 hardcover (978-0-691-12497-1)

The determinants of wealth and wealth inequality are complex but ultimately depend on the ability of individuals over time to take advantage of economic opportunities, their capacity to weather economic shocks, and the absence of institutional and social barriers or cultural attitudes that might affect wealth accumulation. Chief among the institutional and social barriers is the system of intergenerational transfers governed by inheritance law.

Institutions are the arrangements that people have for dealing with one another and inheritance law is an institution that transfers property from the dead to the living because, as Jan Beckert notes, "Everyone who dies leaves something behind." How societies allow their members to transfer their wealth across generations is a complicated process with enormous implications for the distribution of wealth especially given that in modern societies, inheritance with its connotations of social privilege runs against notions of meritocracy. Yet, economists have estimated that intergenerational transfers in the form of bequests can account for 30 to 80 percent of capital formation. In the United States, the top 1 percent of the population owns about one-third of all wealth and in most countries for which estimates exist, the wealth share of the top 5 percent of households ranges from 25 to 50 percent. Even in kinder and gentler Canada, the top fifth of the wealth distribution in Canada owns 70 percent of all personal wealth while the bottom fifth holds close to a zero share.

It is within this context that the enormous importance of Jan Beckert's *Inherited Wealth* is best comprehended. Beckert lays out in methodical detail changes in the rules of inheritance over the last two hundred years in France, Germany, and the United States, combined with an analysis of the forces shaping these changes. Breathtaking in its detail and logic, Beckert's analysis is constructed with the precision of an economist building a model. While all three countries experienced similar processes of industrialization, urbanization, and profound social and political transformations that helped shape their system of inheritance laws, Beckert's key overarching theme is that nothing ever happens the same way twice.

Beckert chronicles differences between Germany, France, and the United States in the degree of testamentary freedom, the legal rights of the relatives of testators, the conditions known as entails that a testator can impose on heirs with respect to the disposition of inherited property, and the role of the state as an heir via inheritance taxation. Take, for example, the amount of freedom testators have with respect to drafting their wills as well as the legal rights of those who stand to inherit. In France, the increase in individual freedom of disposition that one would expect from increasing individualization and modernization is absent because of family structure, the view of all children as equal, demographic trends, and the fragmentation of agricultural land. Similarly, in Germany, testamentary freedom was more limited because of the desire to protect families and a view of property as family property, which also fostered more equality in estate division. In contrast, the United States, lacking the feudal past of the first two countries, imbued with the belief that state interference was a cause of social inequality, and blessed with an abundance of natural resources and land, found that noninheritance did not have the same economic and social consequences and thus ended up with the broadest range of freedom for testators, including the possibility to disinherit children — a key difference from France and Germany.

In the case of the legal institution of dynastic bequests known as entails, Beckert details there a direct connection in all three countries between the triumph of republican political structures and the abolition of entailed property, although again there are differences. In the United States, entails were abolished during the Revolution, but family trusts and charitable foundations sprang up as instruments of dynastic inheritance equivalent to entails. France and Germany also eventually abolished entails but the historic importance of aristocratic wealth and privilege triggered much greater conflict there.

The area of inheritance taxation is the most interesting, given that in all three countries the primary driver for its onset was the insatiable fiscal demands of the modern centralizing state. In each, conflict over inheritance taxes became the most important theme in inheritance law in the 20th century. In the United States, supporters of inheritance taxation made their case in terms of the need for equality of opportunity and the anti-democratic effects of wealth concentration, while opponents saw it as a threat to savings and capital formation and interference with private property. In Germany, the inheritance tax was seen as a means of financing social policies to promote social justice while opponents saw it as illegitimate interference in families. France, the land of *égalité* oddly enough exhibited the least support for inheritance taxation because of its perceived social repercussions on national wealth and population.

Indeed, when the French brought in estate taxation, families with more than four children were exempt in order to compensate them for their additional expenses.

In the end, the system of inheritance law, according to Beckert, is a negotiated compromise across various interest groups in society. It is the outcome of conflicts between individuals, families, and the state that are conducted via political and intellectual discourses against a backdrop of political power, institutions, and culture as well as the weight of institutional persistence. Consequently, the outcome is much more varied and open than either sociological individualization or economic institutionalism allow, as shown by the varied development of inheritance law across the three countries. Given the late 20th century rise in wealth inequality and the fact that the United States is currently poised to abolish inheritance taxation by 2010, one might be tempted to conclude that human history is simply repetitive cycles of events. However, as Beckert's more contingent path-dependent analysis observes: "The process of modernization does not undergo evolution in the sense of a movement toward increasingly efficient institutional forms or increasing individualization."

LAKEHEAD UNIVERSITY LIVIO DI MATTEO

Livio Di Matteo is Professor of Economics at Lakehead University and his research areas include economic history, public policy, health economics, and public finance. His SSHRCC-funded research achievements include the collection, census linking, and ongoing analysis of over 7,000 Ontario probate records from the late 19th and early 20th centuries shedding light on the process of wealth accumulation and portfolio composition. As well, he analyzes the determinants and drivers of health expenditures in Canada, the United States and the OECD countries. livio.dimatteo@lakeheadu.ca