Already overrepresented in the Top 10% by a factor of $1\gg 22$, the share increases significantly to reach a factor of $2\gg 4$ in the Top 1% and an even higher value of $3\gg 2$ for the Top 0.1% compared to the Austrian population share in the Eurozone.

4 Results

Our empirical application focuses on the propensity to get rich through the two main drivers of wealth accumulation: self-made income and inheritances. We have particular interest in the country-specific differences of the marginal contributions to household wealth in the Eurozone. Such differences could be motivated by a number of institutional settings, for example differing tax levels on both income sources or labor market characteristics and housing preferences which may facilitate saving and thus wealth accumulation.

As the above-mentioned literature has shown, inheritances can be a significant component of wealth accrual. Our empirical strategy will therefore rest on two pillars. First, we estimate logit regressions using country fixed-effects and dummies which indicate whether a household has received inheritances. This allows us to depict the overall importance of inheritances, for now leaving aside the issue that regressions on the mean may be a bad approximation to the overall distribution of net wealth. Second, we expand our regression design and estimate structural quantile regressions. These are conducted separately for each country with further control variables for other household characteristics. This method especially emphasizes the differing role of income and inheritances at various points of the distribution.

4.1 Disproportionately Rich: Logit Evidence

Using logit regressions we estimate a model of the form

$$I_{\text{topX}} = \beta_0 + \beta_1 \text{Country} + \beta_2 \text{Bequest}>0,$$

where an indicator variable $I_{\text{topX}}$, which takes on the value of zero and one if a household belongs to the Top X% of the Eurozone’s wealth distribution, is related to country dummies and an indicator that captures whether the household has received an inheritance. Based on these outcomes we derive the estimated share of households in the Top X% as predictions based on our logit regression and compare it to an equal representation of all countries at the top end of the wealth distribution.

Figure 2 presents the results for this exercise for the Top 10%, Top 5% and Top 1% of the Eurozone net wealth distribution. The black line of unity marks the position where the number of households in the top shares corresponds exactly to a country’s population share in the Eurozone. Values above the black line denote overrepresentation while values below the black line display countries which are underrepresented in the top wealth shares. Stars indicate the actual estimated
proportion, unconditional on having received an inheritance. For example, Germany is slightly underrepresented in the Top 10% (left panel), with an estimated value of \(0.9\times\) its population share. Even in the Top 5%, there are still less German households than we would expect due to the population share, however the picture changes for the Top 1%, where German households are overrepresented.

These results of the logit estimation correspond to the light grey bars in Figure 1. Many countries are underrepresented – Greece, Netherlands, Portugal – or even represented not at all the further we move up the distributional ladder. Almost no Greek and Slovenian households are among the top wealthy, and there is not a single Slovakian household in the Top 1% share.

![Figure 2: Logit Regression with Country and Inheritance Effects](image)

To better understand the processes at work here, we further include a dummy variable indicating whether a household has inherited. Again, the findings are reported in Figure 2. Triangles depict the share of households that have inherited and circles indicate the proportion of non-heir households. A first observation follows from the descriptive statistics in Table 1: only a minority of households have already inherited at the time of the survey interview, so that the unconditional estimate is closer to the estimate for non-heir households for most countries. Furthermore, the results indicate that inheritances significantly improve a household’s position in the wealth distribution. While households from Austria, Germany, Spain, and France are on average not or only slightly overrepresented in the Top 10%, this picture drastically changes for heir households. In most of these cases, the unconditional effect is a mixture of non-heir households which seem to appear more sparsely than an equal share would suggest, and heir households that are overrepresented by factors of two to three.

Additionally, this picture intensifies the further we move up in the distribution. Austrian households, which are the most dramatic case, increase in overrepresentation along the three top wealth shares. However, this effect is mainly driven by heir households with factors ranging from...
2 to 4 when moving from the top decile to the top percentile. A similar point can be made for other countries such as Belgium, Germany, Spain, and France. Interestingly, Portuguese heir households can be found to be exactly their population share in the Top 1%, while their non-heir counterparts are consistently underrepresented.

4.2 Getting Rich, Percentile by Percentile

The results presented above provide useful insights into the effects of inheritances on the propensity of a household to be among the richest European households. An in-depth analysis of the factors that lead to a higher position in the net wealth distribution takes a more holistic view on the topic. For this reason, we explicitly model the whole distribution in order to consider varying effects of income, bequests, and other covariates along the distribution. Previous studies have shown that such an approach needs to incorporate the non-linear nature of wealth data in the modelling procedure (Humer et al., 2015).

In this setup, we utilize quantile regressions and estimate two equations of the form,

\[
\text{CDF}_{\text{netwealth}} = \beta_0 + \beta_1 \text{Bequest} + \beta_2 \text{CDF}_{\text{Income}} + \beta_3 \text{Gender} + \beta_4 \text{Age} + \beta_5 \text{Age}^2 \\
+ \beta_6 \text{Tertiary Education} + \beta_7 \text{Retiree} + \beta_8 \text{Entrepreneur} + \varepsilon
\]  

(5)

with

\[
\text{Bequest} = \begin{cases} 
\text{Dummy}_{\text{Bequest}} & \text{(5a)} \\
\text{CDF}_{\text{Bequest}} & \text{(5b)}
\end{cases}
\]

We are primarily interested in the effect of bequests and self-made income on a household’s position in the net wealth distribution, measured by the coefficients \(\beta_1\) and \(\beta_2\). With regard to inheritances, we estimate one specification with a dummy variable for the receipt of bequests (equation 5a) and one with the household’s position in the distribution of bequests (equation 5b). The latter is based on the capitalized value of inheritances assuming a fixed interest rate of 3% per annum. As a sensitivity check, we also varied the rate between 1% and 5% without causing substantial changes to our findings. These results are available upon request. Furthermore, both specifications control for a number of standard socio-economic characteristics for each household, which may affect the wealth position apart from income and inheritances. Since socio-economic variables are collected on an individual level in the HFCS, we assign the values of the survey reference persons to the households. These are gender, age, and tertiary education. We further include a quadratic age effect to test the permanent income hypothesis. Finally, our specification tries to capture two very distinct groups in the data, retirees and entrepreneurs. Since the specific coefficient estimates of these controls are not at the center of our analysis, we refrain from...