Inheritance versus earnings on a household’s position in the net wealth distribution for most countries. For wealth quantiles slightly above the median, higher inheritances can be more easily compensated by (similarly) high income, since both have similar effects on the wealth CDF. However, as we approach the very top of distribution, the relative importance of bequests gains momentum again. This is a major advantage of our methodological approach, as compared to the study of Fessler and Schürz (2015): Only by relaxing the assumption of parameter homogeneity across wealth percentiles we are able to identify these diverse trends in the relative importance of bequests and income at different points in the wealth distribution.

In the lower part of the distribution, the countries with the highest ratios are the Netherlands (which arguably may be an outlier in the analysis), Greece and Portugal, followed by Austria. In these countries the wealth position increase from inheritances is much stronger than that of an improvement of the income position. This heterogeneity in the ratio decreases (with the exception of the Netherlands) along the distribution, so that starting from the median there are only small between-country differences. Summarizing, for most countries the ratio between the inheritance CDF and the income CDF gains is well above one throughout the distribution. However, there are two exceptions. For Slovakia the ratio approaches unity in the top decile, in Slovenia the ratio is already below one in the 44th percentile, meaning that an increase in income from employment is even more important than an increase in bequests. However, these eastern European countries have developed market-based economies only rather recently as compared to other countries in the sample. Therefore, the very distinct accumulation patterns we find for these countries have to be interpreted cautiously.

5 Conclusion

This paper analyzes the role of inheritances and earned income for the accumulation of wealth in the Eurozone. For a consistent analysis, HFCS data are adjusted for country-specific differences in the household structure and we control for socio-economic idiosyncrasies in the estimations. We use logit and quantile regression specifications to single out the effects of bequests and income on the households’ relative position in the net wealth distribution. With regard to our results, we are able to provide insights that address following questions: Which households are at the top of the Eurozone wealth distribution? How do inheritances affect the probability of getting to the top? What is the role of bequests and income from employment for wealth accumulation? How do these processes differ between the Eurozone countries?

Answering these research questions, we find that households from Austria, Belgium, and Germany are overrepresented in the top 1% of the Eurozone net wealth distribution according to their actual population share. While Spain and France are roughly represented closely around their population shares, smaller countries like Greece, Slovenia, and Slovakia are practically non-existent in the richest percentile. This implies that countries are by no means represented according to their population share. And even if a country is not overrepresented as a whole, this is only true
on average but mostly not for heir households.

Furthermore, inheritances significantly increase the chance of ending up in the top wealth shares. While some countries are already overrepresented at the top, heir households are even more so by factors two to four. In the top 1%, Austrian heir households appear four times more often than their population share would suggest. Similarly, heir households from Belgium, Germany, Spain, and France are significantly overrepresented compared to their non-heir counterparts. These results give a sense of the importance of bequests for wealth accumulation and the chances of being admitted into the circle of the rich.

We extend existing research with the application of quantile regressions to investigate whether the importance of income and inheritances differs along the wealth distribution. The results suggest that inheritances play a different role for building up wealth in top percentiles compared to the bottom of the distribution. While a gain of one percentile in the income distribution on average means an increase of roughly 0.4 percentiles in the net wealth distribution across countries, quantile regressions show the non-linear behaviour of this relation. Depending on the position in the wealth distribution, the contribution of income ranges between $0 \to 1$ and $0 \to 6$ percentiles, whereas receiving an inheritance means as much as a 20 percentile hike. Both income and inheritances follow a inverted “U” shape pattern that differs in skewness and magnitude across countries.

We employ two measures for bequests, a dichotomous bequest indicator and the relative position in the inheritance distribution, which may serve as robustness check. Our particular interest lies in the relative importance of bequests and income from employment. By relating the contribution estimates for income CDF and inheritances CDF to each other, we assess the relative importance of both factors in each country. As it turns out, the differences between countries are manifest. In Greece, Portugal, and Austria, households have to climb around three percentiles in the income distribution to compensate a one percentile increase in the inheritance distribution. In Germany, this value is $2 \to 4$. In Slovakia ($1 \to 5$) and Slovenia ($1 \to 3$) the estimations are much lower and in the topmost quantiles, income from employment is even more important than bequests.

The findings of this paper emphasize the outstanding role of inheritances for the accumulation of wealth and the positioning within the net wealth distribution of households. These results correspond with other research focusing on the strong contribution of bequests to total wealth inequality (Leitner, 2016).

Eurozone cross-country analyses have been made possible by the harmonized HFCS survey. The unique opportunity to investigate wealth-related questions will be improved with the second survey wave in 2016. Future research therefore may be able to check our cross-country results for consistency over time. However, following Piketty (2014), inheritances will be even more important than earned income for wealth accumulation in the future. This will also pose a major challenge for economic policy, since self-made wealth is generally legitimized while transfer wealth is often perceived as an obstacle for equality of opportunity.