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THE INFLUENCE OF INHERITANCE ON THE DISTRIBUTION OF WEALTH¹

SOME NEW EVIDENCE

THIS paper is intended to deal with one section of the broad problem reviewed by Sir Josiah Stamp in his presidential address to the Economic Section of the British Association (1926 meeting), on Inheritance as an Economic Factor.² Sir Josiah Stamp reviewed a wide range of questions centring round the influence of inheritance both on production and on distribution. I have confined myself purely to its effects on distribution, and in particular to its effects on the distribution of property. I have also deliberately restricted the paper to an attempt to ascertain facts rather than to put forward any new theory or to elaborate any old theory.

A direct and simple analysis of the causes which combine to produce an unequal distribution of incomes can be found in the writings of Professor Cannan and those who have followed him.³ That analysis shows clearly, I think, that the fact of unequal inheritances is *one* of the chief causes of unequal distribution. But it does not determine the relative importance of inheritance as compared with other causes, such as differences in ability, industry and personal economy, or the operations of chance in a world of unstable prices. It is not certain what comparative emphasis should be laid on each of these factors. Yet it matters considerably where the emphasis is laid, both in connection with social opinion and with social policy.

It is obvious indeed that the institution of inheritance cannot itself be an original or primary cause of unequal distribution; it can only perpetuate and may perhaps, under certain circumstances, intensify inequalities of wealth arising originally from other causes. But though, in this sense, inheritance is a secondary factor, that is not, of course, to prove that it is of secondary importance. Its relative importance as a factor in distribution

¹ Part of the following paper, together with an additional section not reprinted here, formed the substance of an address to the Economics Section of the British Association in September 1927. Subsequent to the meeting, I made certain alterations and additions, incorporating more recent figures.

² Reprinted in *ECONOMIC JOURNAL*, September 1926.

³ I am especially indebted to Dr. Hugh Dalton's *Inequality of Incomes*.

is still an open question, and there is no clear agreement of opinions as to the answer.

It is evident that the point cannot be decided simply by theoretical reasoning from general observations and generally accepted premises. Sir Josiah Stamp has pointed out the need for something in the nature of a *quantitative* analysis of the facts, so far as it is possible to ascertain them. He outlined a list of questions to which such an analysis should attempt to provide an answer. I have only tried to answer two or three out of his long list, which had a much wider scope than this paper.

It is important to realise at the outset that, as a means of transferring wealth in a family from one generation to another, and of acquiring property gratuitously, inheritance is only the leading species of a genus. For example, if inheritance were abolished to-morrow, the children of well-to-do parents would still have superior economic advantages, in so far as they were brought up in a healthier environment, better educated and better connected, than the children of the poorer classes. But the importance of such factors cannot be assessed by statistical methods. In the second place, gifts between the living are the great alternative to the transmission of property at death; and there is no means at present of ascertaining exactly how much passes in this way. Lastly, marriage with heiresses is a well-worn method of re-establishing the fortunes of a family. But the effect of marriage customs on distribution is also an unexplored subject.

A full discussion of the influence of inherited wealth on distribution must, of course, take into account the different laws and customs of inheritance prevailing in different countries and at different periods, as also the economic conditions in which those laws and customs operated. But here I have confined myself chiefly to our own country and the present time.

In order to determine the extent of the influence of inheritance on the distribution of property, there are two important questions of fact, which require an answer.

(1) What proportion of the aggregate property is derived from inheritance and gift?

(2) How close is the relation between what a man accumulates by his own activities and what he has acquired by inheritance and gift? In other words, how far does inherited wealth influence the extent of a man's saving and enterprise?

It may be possible to give a very rough answer to the *first* question, by a careful use of such statistics as are available relating to the aggregate capital of the nation at different times and

the probable extent of the total savings. But I have not attempted it here.¹ I have concentrated rather on the second question, interpreted in rather broader and more general terms: To what extent do individuals shift up or down in the scale of distribution away from the niche allotted to them by the relative wealth or poverty of their parents?

Put the question to any miscellaneous gathering of well-to-do people and you are likely to get as many different opinions as there are different personal experiences. Of published information on the subject there is little that is of value. The biographies of millionaires deal generally with lives that are by no means typical of those of the richer classes as a whole. It is usually only the lives of the exceptional people that appeal to the author and the publisher. It would obviously be unwise to base on the lives of Carnegie or Lord Leverhulme generalisations about the economic history of members of the upper classes in America and Britain. The obituary notices of more mediocre men in the daily Press are also liable to be misleading, since they usually lack precise information on financial matters. There is indeed a limit to the fertility of private inquisitiveness, and that limit is soon reached when one is dealing with the economic conditions and histories of one's fellows.

Moreover, at present the published records of the Inland Revenue cannot be of much direct assistance; for they are bounded by the limits prescribed by the necessities of taxation; and our fiscal system does not at present attempt to distinguish between property acquired by inheritance and by other methods.

There is, however, one source of information which does not appear to have been tapped hitherto. The Probate Registry at Somerset House contains particulars and copies of practically all the probates and letters of administration granted in England and Wales since the year 1858,² and a good many of those granted before that date. It seemed, therefore, possible to take a sample of well-to-do persons who died recently, and to ascertain for comparison the estates left by their parents or other relatives under whose wills they benefited. Such an investigation would, I thought, enable one to see more clearly the extent to which the distribution of property is or is not hereditary in character. A comparison of the probate values of the estates of two genera-

¹ A whole book might be written on the question of definitions, and the influence of price changes on property values, before looking at the statisticians' estimates of Capital and Savings.

² There are a certain number missing in the earlier years of the foundation of the Registry.

tions is, of course, only a rough test. For, in the first place, the amount of property which a man leaves at death is not a really satisfactory index to his economic condition during life, and still less to the economic benefits and opportunities which he is able to transmit to his children. I have already referred to the various methods alternative to inheritance by which property (and a superior capacity to acquire property) may be obtained gratuitously. But, even leaving those other factors out of account, we have still to remember that it is often not possible to ascertain the exact share in his father's estate which a son inherits. Even with unlimited expenditure of time and money on a careful examination of wills, it is not possible to find out the precise amount which a man inherits, let alone receives by way of gift or settlement during life. Not only may he benefit under a number of different wills, but, in any given will, the extent of his benefit is usually not stated explicitly as a sum of money. Again, the trust fund is a common feature of many rich men's wills, and the *ultimate* benefit of any one beneficiary depends largely on whether the other beneficiaries predecease him, whether they leave children or not, and so on.

It is only feasible, therefore, to make a rough comparison between the total estates of successors and predecessors, bearing in mind that the figures employed may sometimes be a misleading index to the actual and comparative wealth of the individuals concerned.

By way of a preliminary experiment, I took as a sample all the individuals reported in *The Times* during the twelve months September 1, 1924, to August 31, 1925, as leaving estates exceeding £200,000 in value. There were 116, of whom 15 were Scottish, Irish and foreign residents. The estates of the latter were discarded as well as another two estates belonging to persons who lived in England, but whose parents' estates were known to have been probated in Scotland, Ireland or abroad, and the sample was confined to the remaining 99 English estates which could be investigated in London. Of these 99 estates, only 6 belonged to women.

At first sight it appears as though *The Times* list must be very incomplete. For, according to the Estate Duty Statistics, there were, during the period in question, 135 English estates of over £200,000, and of these about 20 belonged to women.¹ But the

¹ The exact number of women's estates in this class is not given. But in the class over £250,000, women's estates were 11 per cent. of the total number in 1925-6, and 13 per cent. in 1924-5; in the class over £100,000 they were 17 per cent. of the total in 1925-6, and 15 per cent. in 1924-5.

chief reason for the discrepancy becomes plain when it is realised that the values reported in *The Times* and in the Probate Registry are of *unsettled* property¹ only, as a general rule, while the Estate Duty figures now include nearly all settled property.² Now settled property forms rather more than a quarter of the total value of estates in the over £200,000 class, and rather more than *one-third* in the case of women's estates. Thus its exclusion from the probate figures—a serious disadvantage in other ways also—cuts out a number of large estates from my sample, and particularly those belonging to women, as well perhaps as some of the landed gentry with entailed property. The sex and the class, which are (in this way) under-represented, have, without doubt, a higher proportion of inherited wealth than the average.

Of the six women's estates in the sample, four belonged to widows, and in the case of the latter I chose for comparison the estates of *either* husband *or* father, choosing the one under whose will the widow had chiefly benefited. In the case of the men's estates, I assumed, as a general rule, that the chief inheritance had come in the direct line of descent from the father. But there are eleven exceptions, some of these being due to the fact that, while the estate of the father could not be found, the son had benefited under the will or intestacy of some other near relative, whose estate was ascertained. In five cases the estates of brothers or uncles were chosen for comparison, in five cases those of wives or fathers-in-law, and in one case that of the grandfather.³

In all I was able to complete 80 out of the 99 cases. In spite of a careful search in directories and obituary notices, and in the English Register of Births at Somerset House,⁴ I was unable to trace or to identify the parents in nine cases. In some cases the name was too common for identification, in a few cases the son was born too early⁵ for registration at Somerset House, and in

¹ Generally speaking, the probate valuations are restricted to property within the free disposition of the deceased (see below) at the time of his death.

² After the Finance Act of 1914, settled property ceased to receive favoured treatment. The probate valuations also exclude property situated abroad.

³ In the majority of cases, where the estates of brothers, husbands or wives were taken instead of those of the fathers, they had passed more than thirty years before the death of the successors.

⁴ By courtesy of the Registrar-General, a search of some 40 birth certificates was undertaken by his department.

⁵ The General Register of Births started in England in the latter half of 1837. For some years after that date there is, I am informed, a slight deficiency of 10 per cent. or so of births, and perhaps more in some districts. I have found by experience that that deficiency is not confined to the poorer classes. In a few cases, I am indebted to relatives of the deceased for supplying the information required.

other cases he was almost certainly born outside England. In another 14 cases the estate of the father could not be found or identified in the Probate Registry. This register is not complete for years before 1858, and in a few cases the father had died before that date; moreover, for some years after 1858 it is not likely to be entirely complete.¹ In at least one case no estate was left, because the deceased had distributed the whole of his property during his lifetime. In a few other cases the deceased may have been domiciled out of England.

Other details concerning the method and limitations of this investigation must also be mentioned. For, particularly in a very rough statistical inquiry of this nature, it is necessary, in order to criticise or to appreciate the significance of the results, that the "whole genesis of the figures"—in Professor Bowley's phrase—should be made plain.

The Probate Registry has certain serious limitations as a source of information. I have already referred to the exclusion of most settled property from the probate valuations. Before January 1926, settled *realty* is entirely excluded, and *personalty* settled for life only is also excluded throughout from the estate of the one on whom it is settled. Thus, generally speaking (except in a few cases where information has been derived from other sources), both in the case of predecessors and successors, *property, of which they were not competent to dispose at the time of their death, is excluded*. This important limitation must be borne in mind in any critical examination of my figures.

The second great disadvantage of the probate valuations is that before 1898 they do not include *realty*.² Now *realty* forms today between *one-quarter* and *one-fifth* of the total value of property left at death, and a generation ago the proportion was certainly greater. It was, therefore, necessary to supplement the probate values of estates left before 1898 by an estimate of the real property of the deceased. The only supplementary source of information that is at all easily available is the Return of Landowners, or "New Domesday Book," which was made by the Local Government Board in the '70's, and set out to give county by county the names and addresses, numbers of acres owned and gross annual value in the case of all landowners of more than one acre. The Return has many deficiencies as a work of reference; and it excludes the Metropolis.³ Moreover, in accordance with the agricultural

¹ In at least three cases the father had died before 1858.

² Leaseholds are classed as *personalty*.

³ For the defects and inaccuracies of the Returns, see the official introduction to them.

assessments, it under-states the value of building land in neighbourhoods that are developing. Again, the owners of freehold premises occupying less than one acre would be excluded. As regards the big landowners, later and more accurate information can be obtained from other works of reference.¹

In the case of 25 predecessors, rough estimates of the value of the real estate left by them were made from these sources. Of course the estimates could only be very rough. For it was not certain at what number of years' purchase the gross annual value given in the returns should be capitalised and, in a number of cases, one was also forced to assume that there was no great change between the '70's and the date of death in the amount of land owned. The valuable review of the subject given in Sir Josiah Stamp's *British Incomes and Property* shows the number of years' purchase at which the chief authorities capitalised the gross annual value of land at different dates; and figures of rentals given some time ago by Mr. R. J. Thompson enabled one to make an approximate allowance for the decline in agricultural land values during the slump of the '80's and '90's.² But my estimates of realty could not take into account mortgages and other charges to which the property might be subject.

The method certainly allows large possibilities of error, but it was not too unsatisfactory under the circumstances. Even quite large errors in the estimates of real property left by the 25 persons in question would not make a great difference to the results as a whole, especially as only in eight cases was the realty estimated to exceed £100,000. In the case of 19 predecessors dying before 1898, no landholding could be traced in the official return, and only the personalty valued for probate could be included.

On the whole, there is almost certainly some under-statement of the property left by the predecessors. My estimates of the realty of those dying before 1898 amounted to £1·704 millions in all, as against nearly £8,000,000 for their total property. The proportion formed by the realty is 21 per cent., whereas the Estate Duty figures show a proportion of 24 per cent. for all estates subject to duty in 1904, and the proportion is still higher in the case of the larger estates. Again, as regards the personalty, there is little doubt that the probate valuations were not so strict thirty or forty years ago as they are to-day.

¹ *E.g.* Bateman's *Great Landowners* (1883 edition used).

² Applying the index-number of agricultural rentals at different periods to the number of years' purchase at those periods, I took the following number of years' purchase of the 1870-80 gross annual value of lands in rural areas:—1875, 30 y.p.; 1885, 23 y.p.; 1895, 15 y.p. For urban realty I took 15 y.p. throughout.

With regard to the period chosen for the investigation—namely, the generation that ended in 1925—in some respects this is not the most satisfactory for our purpose. For it includes the abnormal war period, when “windfalls” due to rapid changes in prices and abnormal conditions of demand contributed far more to the establishment of new large fortunes than they did in the preceding generation or are likely to do within the lifetime of the present generation in this country. But had an earlier period been chosen, the technical difficulties would have been greater. For a larger proportion of predecessors would have died too early for their estates to be entered in the London Probate Registry, and outside estimates of realty would have been necessary in a larger number of cases. Moreover, a larger proportion of successors would have been born before 1837, the year in which the English Registry of Births was started, so that their parentage could not have been ascertained from birth certificates.

The following is a summary of the results, relating in the first place to the 80 completed cases out of the whole sample of 99.

(1) The total gross value of the unsettled property of the 80 successors amounted to £37·3 millions; the aggregate value of the estates of their predecessors was estimated at about £26·1 millions, or 70 per cent. of the former sum.¹

The bulk of this £26 millions passed between 1880 and 1900, and it is impossible to say what the equivalent value of those estates would be to-day. £100,000 invested safely in 1890 produced about as large a “real” income as £115,000 in 1924 (if we neglect the effects of a higher income tax), or as about £150,000 when the increase in direct income taxation is taken into account. For, owing to the higher rate of interest accompanying the rise in commodity prices, property values as a whole have not increased to the same extent as the price level. But the effect of the great price changes during the generation in question, in *individual* cases, would depend, of course, on whether the inherited property was kept in gilt-edged investments or in land, or was put into the more speculative investments of industry and commerce.

As regards the relative magnitude of the individual fortunes of the predecessors, it may be useful to remember that probably about the same proportion of the people in 1890 owned estates in excess of £100,000 as were in the over £200,000 class in 1924.

A cursory examination of some 56 wills has enabled me to

¹ The aggregate value of the property of the 99 successors was £44·1 millions. On the extreme assumption that in the 19 unfound cases, the predecessors had left little or nothing, the ratio falls to 60 per cent.

make a very rough estimate of the proportion of the estates of their predecessors which passed to the successors in my sample. I have already pointed out that, in many cases, it is practically impossible to ascertain with certainty the value of a man's inheritance under the terms of a will—let alone to estimate his total inheritances. But though my estimates of individual inheritances are probably often very unreliable, I do not think my estimate of the total or average proportion is likely to be very wide of the mark. In the 56 cases, where some estimate was possible, the average *net* proportion of the predecessors' estates passing to the successors in question appeared to be between 50 per cent. and 55 per cent. This is after making an approximate allowance for death duties, debts and other deductions from the gross value.¹

Five women are among the successors to whom this average applies; and it so happened that these women were the sole principal legatees under the wills of the predecessors chosen. In the case of the male successors only, the average proportion of their predecessors' estates passing to them was (according to my estimate) between 45 per cent. and 50 per cent.

The proportion varied greatly, of course, in individual cases, from less than a tenth to the whole (less death duties); the median was about one-third of the net value after taxation.

In making the estimates I assumed that in every case property left for life only to a surviving widow passed intact to the final beneficiaries. But I was not able to allow for the effects of the decease of some of the surviving children prior to that of the successor in my sample. Hence, in those cases, for example, where A leaves property to B and his issue, with remainder to C, and B dies without issue before C, I may have considerably underestimated the ultimate inheritance of C under the will of A.

Moreover, I have only taken into account the will (or intestacy) of one particular predecessor in each case, in estimating the share of the successors in my sample. This share, therefore, does not measure the full extent of the inheritances of the latter, since in most cases they will have benefited under the will of more than one relative.

Lastly, I must again call attention to the fact that gifts *inter*

¹ In the case of the large majority of predecessors, dying before 1914 say, death duties were, of course, a comparatively small deduction. Where no exact information was available as to the *net* value of the estate, after deduction of debts, etc., I deducted about $\frac{1}{12}$ th from the gross value. The proportion allowed as deductions from the gross value of estates liable to estate duty was between 9 per cent. and 10 per cent. during the years 1904-14; and more recent figures show that the proportion is less than the average for the large estates.

vivos, such as marriage settlements and the like, cannot be allowed for in an inquiry of this nature. Yet their omission from the figures must stultify any attempt, by an examination of probates, to ascertain the total amount of gratuitous property received by any particular persons. It is not only since the increase in death duties that wealthy men have ceased to wait till their death before providing for their children. The fact that they have made earlier provision is frequently referred to in their wills, and in at least one case the whole of the property had been disposed of before death.

Thus the most that can be said, in the case of my sample, is that the total value of the inheritances alone received by the 80 successors, whose predecessors' probates were found, was probably well in excess of £13 millions.

It is interesting to notice that an investigation of some 52 cases showed the average number of children surviving their parents as 2.25 sons and 2.4 daughters.¹ In half of these cases the father left five and more surviving children. (I did not, within the compass of my small sample, find any evidence to show that "self-made" men spring from families larger than the average.)

I found that, in many cases, the richer predecessors bequeathed the lion's share of their property to one particular son—usually, but not always, the eldest. This was not only due to the custom of primogeniture among the landed aristocracy. For the desire to leave a large property intact in the hands of a single descendant caused a number of wealthy testators, who did not strictly belong to the landed classes, to reject the principle of the *légitime*. We find, for example, a chemical manufacturer with close on a million pounds to distribute among five sons and four daughters, bequeathing £150,000 between eight of his children and leaving the whole residue to the remaining son. A shipowner with £1,500,000, leaving one son and six daughters, having made liberal bequests to his widow and to charities, bequeaths nearly a third of the residue to his son. A brewer with over £400,000 to share between four sons and four daughters leaves over three-quarters of the *net* disposable estate to his eldest son. It is fair

¹ 4.66 was the average number of surviving children in the case of 52 fertile parents. Compare the Registrar-General's figures relating to the number of children surviving in 1911 per fertile and infertile couples married before 1851. The number was 418 (of both sexes) per 100 couples in Social Class I (see T. H. Stevenson, Art. in *Statistical Journal*, May 1920, discussing the Census 1911 returns of occupational fertility).

to say, however, that in this last case, at least, the other children had already been well provided for by settlements during life. Here again, therefore, the absence of knowledge as to gifts *inter vivos* may lead one to wrong conclusions as to the extent of the contrast between the effects of freedom of disposition and the continental laws of inheritance.

But there is little doubt that, among the very wealthy, equal division of the spoils among the family, irrespective of place and sex, is not the general rule. It appeared to be usual, among the wealthier predecessors in my sample, for the sons to receive a larger share than the daughters.¹ In the case of the smaller estates, equal division is much more common.

(2) The following is a classification of the 80 predecessors whose estates were found in the Probate Registry, according to the value of their estates. It will be remembered that, where estimates of realty are included in the valuations, they may be wide of the mark; that the exclusion in most cases of settled property distorts the picture to some extent, and that the figures refer to gross values, before the deduction of encumbrances and debts.

7 predecessors with estates over					£1 million.
10	„	„	„	between	£500,000 and £1 million.
11	„	„	„	„	£250,000 and £500,000
18	„	„	„	„	£100,000 and £250,000
7	„	„	„	„	£50,000 and £100,000
6	„	„	„	„	£25,000 and £50,000
3	„	„	„	„	£10,000 and £25,000
6 ²	„	„	„	„	£5,000 and £10,000
12	„	„	„	„	Under £5,000
<hr/>					
Total 80					

Thus, 46 out of the 80, or nearly three-fifths, left estates of over £100,000 (the predecessors of the six women among the successors are all in this class); 53, or two in three, left over £50,000; 62, or over three-quarters, left over £10,000.

¹ There is no space to discuss here the possible superior advantages derived by the son who inherits his father's business, and the distinction (not shown by probate statistics) between the inheritance of wealth *plus* business opportunity, and that of passive property only.

² One of the estates put into the £5,000–£10,000 class may quite possibly belong to a higher class. In this case the valuation on the letters of administration is that of certain trust property only, the administration being limited to that portion. The rest was disposed of by a will which was never proved. The testator was known also to have certain real estate, of which the value was not ascertainable.

There were eight millionaires among the successors in my sample; only in *one* case had the predecessor left less than £50,000,¹ and in six cases his estate was over £250,000. There were 22 successors with over half a million pounds, and in 18 cases the predecessors' estates were discovered. Twelve of the latter were worth over a quarter of a million pounds, while five only were less than £50,000.

I have already explained that the values mentioned refer, for the most part, to unsettled property only. Of the 12 successors whose predecessors' estates are put at under £5,000, two at least, it is known, had wealthy connections² by marriage; and the same applies in at least two other cases where the parents' estates are in the £5,000 to £25,000 class.

Such are the facts regarding the 80 cases where the predecessors' estates were ascertained. But there remain 19 cases where they were not ascertained. There is little doubt that among the latter the proportion of "self-made" men is higher. We know something about the successors and their fathers in nine cases, and it is probable that five of the former had started from small beginnings, that one had married an heiress, and that three must have had considerable inheritances. But the remaining 10 cases are entirely doubtful; one only knows that a number of the parents were probably of foreign extraction.

The sample is undoubtedly biased to a certain extent by the exclusion of these 19 cases, in the direction of showing too high a proportion of wealthy predecessors. On the other hand, as I mentioned previously, a bias in the opposite direction is given by the exclusion of settled property not in the disposition of the deceased. One result of this exclusion was, as we saw, to provide the sample with too small a proportion of women and others who enjoyed large incomes from settlements.³ Thus the two biases

¹ This one case is a most remarkable one. A wool merchant left over £1.5 millions. His father was apparently a weaver—smallholder. His estate was not found in the Probate Registry. But the will of the mother was found—under £40 personalty. The mother was apparently illiterate, as her will was signed by her mark. The son's history is shrouded in obscurity, but must contain features of considerable interest.

² One was connected with an aristocratic family and changed his name "for family reasons." The brother-in-law of another left over £400,000; in this case the father's estate (d. 1854) could not be found, and his wife's estate, taken for comparison, was £957 personalty, but there was probably a considerable settlement as well. In a third case the estate of the father—a shipowner—was probably in excess of £5,000, but could not be found. The grandfather's estate (£2,000) was taken instead.

³ In the richest hundred decedents there must have been about 14 women, instead of the 6 coming into my sample.

may to some extent counterbalance one another, in their net effect upon the proportions of wealthy and poor parents, appearing in my figures.

However that may be, we know at any rate that, as regards the whole sample of 98, the proportion of predecessors, who left—

over £100,000	was somewhere between	46%	and	55%
„ £50,000	„ „ „	55%	and	65%
„ £10,000	„ „ „	65%	and	75%

And, as regards the actual inheritances of the successors, we may say, with practical certainty, that *at least* 35 per cent. received more than £100,000 *net*, at least 45 per cent. more than £50,000, and at least 60 per cent. more than £10,000. This is not counting property received by way of gift, marriage or other settlements, and inheritances from more than one relative.

It is tolerably certain that a similar investigation dealing with the generation *before* the war would have revealed a still smaller proportion of rich men risen from the ranks. And Sir Josiah Stamp has expressed the opinion that 110 years ago the effect of inheritance on distribution was “far greater” than to-day.¹

Even within the sample investigated, confined as it was to a very small class of very large estates, it was found that, on the whole, the largest fortunes belonged to those with the richest parents. The successors in the sample may be divided into two classes, those with over £300,000, and those with between £200,000 and £300,000. The average estate of 38 predecessors of those in the first class was £433,000; in the case of those in the second class the average of 42 predecessors' estates was £225,000. On the extreme assumption that the undiscovered estates were all negligible, the averages are £350,000 in the first case and £182,000 in the second.²

In some 80 cases it is possible to classify roughly the chief occupations and social status of the fathers of the men in our sample. The following is a summary:—

¹ “Inheritance as an Economic Factor,” *ECONOMIC JOURNAL*, September 1926, p. 356.

² Of course these averages conceal a fairly wide dispersion in each case, but the median estate is also considerably larger in the first than in the second class (£196,000 as against £115,000, or, counting undiscovered cases as all below the median, £100,000 as against £60,000).

The ratio of predecessors' to successors' estates seems on the whole to be distinctly lower for those at the top of the scale. The ratio is 64 per cent. in the first class (over £300,000) and 97 per cent. in the second class (or, counting undiscovered estates as nil, 52 per cent. in the first class and 77 per cent. in the second).

I. Peerage, Baronetage and Landed Families	11
II. Financiers, Large-scale Manufacturers and Merchants (including 4 Shipping, 4 Brewers, 8 Textiles of all kinds, 2 Banking, 2 Newspapers)	33
IIa. Unclassified Gentlemen of Means	12
III. Professions (including 4 Clergy and 2 Doctors)	6
IV. Smaller-scale Manufacturers and Merchants and Shop- keepers (including 4 grocers, 2 drapers, 1 ironmonger, 1 hairdresser, and 3 small-scale manufacturers)	13
V. Farmers	2
VI. Clerks and Minor Officials	4
VII. Artisan and Working Class	3
Total	<u>84</u>

This occupational classification is bound to be arbitrary in some respects, and is not always a clear guide to social status. But one may say that about 62, or three-quarters of the 84 fathers, belonged to the aristocracy and upper middle class, that some 15 (rather less than a fifth) were what may be described as small-scale capitalists, and that only 3 were in the "working class," in the narrow sense of the term. But it must be added that at least another three fathers had themselves risen from the ranks in their own generation.

Analysis of the occupations of the successors of the poorer parents reveals little that merits special attention, except that, with two possible exceptions,¹ merchandise and manufacture rather than the professions were the sources of their fortunes. But the figures do not enable us to point to any particular branches of trade and manufacture as the most fruitful hunting-ground for would-be millionaires; for the self-made men in our sample represent a wide variety of trades.²

It would no doubt be rash to attempt to draw any very definite or sweeping conclusions from an investigation confined to such a small sample, and from statistical results subject to so many deficiencies. But the evidence, so far as it goes, supports the

¹ One described as a solicitor; the other was described as an "accountant" on son's birth certificate. His son was a shipowner, his father a wire-rope manufacturer.

² Generally speaking, it is obvious that the more speculative types of business are most favourable to the making both of millionaires and bankrupts. In two cases the invention of new processes seems to have brought the nucleus of a large fortune. Examples of the speculative type of business are colliery pit sinking, newspapers and publishing, stockbroking, pawnbroking. Analysis of the localities from which the "self-made" men came shows a high proportion in the north of England.

opinion that, in the great majority of cases, the large fortunes of one generation belong to the children of those who possessed the large fortunes of the previous generation. Even after the windfalls of the war inflation period, the rich men who have sprung from parents with insignificant resources are certainly a minority of their class. The quantitative importance of that minority is open to question; but the attention which it attracts seems to be due to the fact that those who compose it are exceptional phenomena rather than numerous. It is obviously difficult, and it would appear to be rare, for a poor man to acquire much property by enterprise and saving within the limited period of his own lifetime. And such evidence as there is hardly supports Mr. Keynes, when he says of pre-war Europe, that "for any man of capacity or character, at all exceeding the average," escape was possible from the ranks of the proletariat into the middle and upper classes.¹

It is certain, indeed, that, in the course of a few generations, the institution of inheritance has frequently enabled a reasonably thrifty and industrious family to turn a small original capital into a large fortune. But within the space of one generation the shifting from class to class is normally not great. Our sample investigation did not go back more than one generation. Had it done so, we should probably have found that the proportion of *grandfathers* with relatively small estates was rather larger than that of the fathers, that of great-grandfathers still larger, and so on. Go back a hundred years or so, and there is little doubt that a considerable proportion of the ancestors of rich men living to-day would be found to have been comparatively poor. But, since poor men are far more numerous than rich, it is equally demonstrable and certain that, in the first place, only a tiny percentage of poor men living to-day would be found to have had well-to-do ancestors, and, secondly, that the descendants of the large majority of poor men remain poor throughout the generations.

The economic history of representative middle-class families would be an interesting and profitable study; and the genealogist may perhaps be of considerable use to the economic historian. In the case of my own family—where the genealogy of the more obscure and less fortunate branches has been investigated, and particulars of some 250 wills and letters of administration granted to members of the family have been recorded—I have been able to trace the fortunes of the different branches of the descendants

¹ *Economic Consequences of the Peace*, p. 9.

of one ancestor through *ten* generations.¹ This is one of many families which became prominent about the time of the Industrial Revolution, and it is fairly certain that the part played in its history by the luck of inheritance and marriage is not exceptional in its importance. The following brief review of its social and economic history may, therefore, have significant features of general interest.

At the opening of the seventeenth century the younger son of a bankrupt freeholder married the heiress of a small landowner in the district now known as the Five Towns. There were three sons of the marriage, whose descendants are living at the present day. The fortunes of the descendants of these three sons have been radically different. The eldest of the three sons, and his descendants in the third and fourth generations, inherited the bulk of the estates of his mother's family, about 240 acres in all, including a small pottery. The descendants of the youngest son (No. 3 branch) during the next three generations also acquired a considerable amount of property by marriage and inheritance. Indeed, in the third generation this was the most important and the most able branch of the family; it contained at least three prosperous potters and good business men who augmented their patrimony by marrying well and by buying up real estate in the neighbourhood. One was a coal- and land-owner on a considerable scale. But, in the next generation, No. 3 branch fades into obscurity owing to a series of unlucky accidents. All the sons of the two wealthiest members died unmarried; the heiress of one married into No. 1 branch; and the bulk of the property of the others passed outside the family to relatives by marriage. Another member lost all his money in an unsuccessful pottery venture; while the eldest member of the branch contracted an unfortunate alliance. The descendants of the second of the three sons (No. 2 branch) were less fortunate in the way of marriage and inheritance, and possessed originally perhaps less ability than the other two branches. One grandson migrated in the early eighteenth century to the coast of Cumberland, where his numerous descendants became working potters, sailors and coal-miners.

It is in the last quarter of the eighteenth century, at the beginning of the Industrial Revolution, that the division of the present-day descendants of the yeoman ancestor of 1600 into "capitalists" and "proletarians" may be foreseen. At that time No. 1 branch had inherited a small estate worth about £4,000 or £5,000 and a growing pottery business; while, of

¹ Col. J. C. Wedgwood, *History of the Wedgwood Family, and Wedgwood Pedigrees*.

the two younger branches, one was shortly to be deprived of the inheritances it expected from its wealthiest members, and the other was already fast joining the ranks of the proletariat.

During the opening stages of the Industrial Revolution the fortunes of one shoot of No. 1 branch were increased substantially by a younger son of exceptional ability. Coming after four generations of yeomen potters, the latter revolutionised what had once been a small-scale rural industry, and succeeded in amassing the huge fortune of close on a quarter of a million. In this achievement he was perhaps assisted to some extent by marriage. It is chiefly to his industry and ability that the most well-to-do section of the family still owes its prosperity. Those of his descendants, who have children living at the present day, have in nearly every case, during four generations, left estates ranging from £20,000 to £100,000. With one possible exception, none of them have dissipated their patrimony, but none have greatly increased it.

In another section of the elder branch of the family, the descendants of a cranky inventor, who himself appeared to have squandered a moderate inheritance, benefited considerably from one of his inventions.

In the final result, of the 74 known living descendants of the elder son of the common ancestor, nine generations back, three-quarters are in the middle and upper middle classes, having participated in inherited estates of over £1,000 from the last generation; and at least two in five of their predecessors have left estates of not less than £20,000 or so.

But of the 200 or more descendants of the second and third sons who are living in this country, certainly over 90 per cent. are numbered among the lower middle class and the proletariat. A further 50 are in the colonies and the United States. Only one member of these two branches of the family seems to have left an estate in excess of £500 personalty.

The fact that the descendants in Nos. 2 and 3 branches were on the whole rather more numerous than those in No. 1 branch may possibly be a contributory cause of the greater poverty of the former. But the more certain and obvious deduction is that the fortunes of the different branches were largely predetermined by the economic position of the different members of the family at least *five* generations back.

Much more research is obviously necessary before the part played by inheritance in the distribution of wealth can be deter-

mined satisfactorily and stated with conviction.¹ Hence the conclusions I have drawn are necessarily provisional and indefinite. Re-stated briefly in broad terms they are as follows:—that, in this country at any rate, the larger fortunes are left, in the great majority of cases, by those who received the larger inheritances; that rich persons, who have not received any considerable portion of their property by way of inheritance, gift or marriage, are a minority of their class; and that unequal amounts acquired by industry and saving are closely related to unequal inheritances.

It may be that the hereditary character of inequality is rather less marked in newer countries such as America and the Dominions; and it is perhaps significant that the Australian figures and even the American figures show a somewhat more equal distribution of incomes and property than in our own country.² But, however that may be, one must remember that the colonists of new countries have not generally started with a clean slate in the matter of distribution. Those who entered the New Worlds were not required to dispense with property inherited in the Old World.

In the matter of inheritance, the contrast to-day is probably greater between England and Central Europe, where the wild fluctuations of prices have increased the importance of Chance as a factor in distribution, and a certain amount of deliberate disinheritance has resulted from political changes. But I do not agree with the suggestion that the depreciation of money has been historically an effective antidote to the influence of inherited wealth, for the inheritors of large fortunes are not necessarily unlucky or unwise in their investments.³ It is, I think, true of the modern world generally that there is in our society an hereditary inequality of economic status which has survived the dissolution of the cruder forms of feudalism.

J. WEDGWOOD

¹ One awaits with interest the results of a questionnaire which is being circulated by a Sub-Committee of the Economics Section of the B.A. I am also making a further search in the Probate Registry, with a sample of some 150 persons leaving estates of over £10,000 net.

² I refer to the following estimates:—For U.S.A., National Bureau of Economic Research: "Income in U.S.A., 1909-19." (Incomes only.)

For Australia (Incomes and Capital distribution): G. H. Knibbs, *Private Wealth of Australia* (from official Census, 1915).

For Britain: Pre-war estimate, A. L. Bowley, *Distribution of the National Income, 1880-1913*.

Post-war official estimate: 64th Report of Board of Inland Revenue.

For England (Capital), various estimates based on Estate Duty statistics.

Of course, all these estimates are not strictly comparable in every detail, but the rough proportions may be compared.

³ Where their inheritances have consisted of land, they have not generally suffered from the depreciation of money. Only where the inherited property has been settled in the form of fixed interest and gilt-edged securities has inflation necessarily reduced the value of inheritances as distinct from fresh savings.