The Injustice of Inherited Wealth

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When Thomas Piketty published *Capital in the Twenty-first Century* (2013) more than one review of the book pointed out that the very near future of extreme inequality he invoked was 'Jane Austen all over again'. This was more than metaphor: Piketty repeatedly returns to the fictional world of Austen, explaining that novelists like her 'grasped the hidden contours of wealth and its inevitable implications for the lives of men and women'; that they described the effects of inequality 'with a verisimilitude and evocative power that no statistical or theoretical analysis can match' (Piketty 2). It certainly was surprising that this dense magisterial tome of dry economic analysis would be published to such acclaim and become a best-seller; it was even more of a surprise that it would contain an abundance of references to popular culture and literature and in particular the 19th century novels of Henry James, Jane Austen, Honoré de Balzac and Leo Tolstoy.

In recent years 19th century literature has become a privileged resource for discussions of economic change. In the Victorian novel one finds rich, suggestive descriptions of industrial capitalism and the degradations it unleashed: the sweatshops, the pollution, the imperative to work in new and often inhumane labour markets, the struggle for economic survival without any recourse to social safety nets—in short, the great human misery of the mid-Victorian economy of mass unemployment and almost constant financial instability. The novels of this period also captured something more specific than chronic economic insecurity: they provided a window on the ascendency of what Marx termed ‘fictitious capital’, that is, a financialised capitalism of new financial instruments such as futures and derivatives, of rampant speculation, and a desire for money that almost magically begets more money. Sound familiar? The Victorian novel, a fictional form wedded to realism, commits itself to exploring this ‘unreal’ terrain of financial innovation where all that was solid seemingly melts into air. As the scholar of Victorian literature, Anna Kornbluh, puts it, a novel like *Great Expectations* ‘fully beholds these incongruities’ because it registers the ‘epistemological uncertainty of making something “real” when the real is on the make’ (Kornbluh 2).

The realist novel also introduced a very modern fetish for money as abstract uniform measurement, a metric that was frequently applied to the quantified self: Mr Bingley’s ‘four or five thousand a year and Mr Darcy’s ten’. Marx despaired over money as the universal equivalent for exchange, over the commodity-form and, most of all, over the fact that social relations now took ‘the fantastic form of a relation between things’. Jane Austen fictionalised the pressure to not only find and realise capital but also the pressure (for women) to become human capital. She depicted the vicissitudes of living in markets—especially the marriage market—which appeared to be nothing more and nothing less than a numbers game, and one where the odds were frequently stacked against its players; unsurprisingly, Austen’s novels are populated by numbers as much as characters (Markovits).

The novels that Piketty cites throughout his analysis traverse these often-grim economic realities with considerable affect and humour, juggling descriptions of abstract historical conditions with accounts of intimately felt human experience, a delicate balancing act that György Lukács saw as the genre’s dominant leitmotif. One of the most common tropes in this literature unsurprisingly is the story of an individual navigating situations of acute economic precarity, a story that almost always plays out on a knife-edge of poverty and penury and its opposite, a surprising financial fortune or windfall and the prosperity that results. The fickleness of unregulated *laissez-faire* capitalism is given form in these novels through a finely calibrated distribution of economic detail and psychological interiority, an affective economy ruled above all by the fickleness of luck and chance. This capriciousness was internal to the highly speculative Victorian credit economy where fortunes could be (and were) lost in an instant; not coincidentally this sense of wild unpredictability was personified in the writings of Daniel Defoe as a woman, as Lady Credit.

In the essay that is at the centre of this special issue, John Frow argues that this atmosphere of fickleness, this knife-edge probability between good fortune and failure, is also achieved in many Victorian novels by the plot device of a will, and specifically through 'a codicil that has been kept secret or suppressed and that endangers the life of the one who inherits' (Frow 24). The device of the will and the codicil, as Frow explains:

> thematises the grip of the old and the dead upon the young. The legacy that is in play is at once highly, even obsessively, desired and yet fraught with danger, and the post-mortem transfer of assets envisaged by the will frequently ends in failure as the estate turns out to be worthless. This is the image of a failed or even threatening intergenerational transfer; [… and] what it brings about is an intergenerational injustice. (24-5)

The human condition means that inheritance is a largely unavoidable ethical and legal predicament. Birth and death, living and dying, the young and the old—this is the temporal field across which inheritance has traditionally been understood and justified. In this schema the old and dying transfer private property—titles, family estates, land, dynastic wealth, money, heirlooms etc.—*mortis causa* to heirs who were (and still are) mainly men (Ladegaard and Cortese). As Frow notes, conflicts over inheritance are a staple of modern literature, especially in Victorian novels where the coveted gift turns into an unappealable curse and condemns an heir to a destiny that hitherto had been unthinkable. Inheritance is therefore unavoidably oriented to the future, implicitly concerned with historical continuity and feelings of obligation and duty—or perhaps even spite and revenge—towards future generations. The future is of course a historical category. It is only in the modern era that there appears an 'expected otherness of the future'; an implicit expectation that '[the] future would be different from the past, and better, to boot' (Koselleck 252, 280).

In his essay Frow uses the trope of inheritance to introduce the broader topic of intergenerational justice—in social, historical and environmental terms. It then largely moves into the background of his analysis as he focuses on a number of other concerns, including probably the most important present-day responsibility of addressing climate change and averting environmental catastrophe for future generations. The trope of inheritance therefore merges with ideas of custodianship and stewardship, enabling a consideration of the multiple ethical dilemmas that emerge when one explores what the present generation 'owes' both to the future and to the past. At a time of climate emergency, when the future looks set to acquire an 'otherness' that is routinely destructive, as evidenced by recent droughts, bushfires and floods, questions about the transformed environmental conditions that one generation will bequeath to the next are urgent ones. Let me be clear: these are vitally important issues. But the question of inheritance as a driver of economic inequality is an equally pressing concern, especially if the ownership of wealth becomes even more concentrated throughout the 21st century and inheritance becomes as structurally important as it was in the 19th century—both as economic flow and social force.

In this scenario, the future will be bleak, characterised by worsening social inequality, low growth and a hierarchy of political and economic power that for all intents and purposes assumes the shape of an oligarchy. Indeed, Piketty describes a world largely reverting to Victorian-style levels of inequality. Analysing an enormous range of empirical data, Piketty illustrates how patterns of wealth concentration and inequality have evolved over the longue durée of Western modernity. Employing his now (in)famous formula r>g, he concludes that in a capitalist economy the accumulation of wealth and the rate of return on capital (r) will always tend to be greater than the rate of economic growth and the general growth of incomes (g):

> When the rate of return on capital exceeds the rate of growth of output and income, as it did in the nineteenth century and seems quite likely to do again in the twenty-first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based. (Piketty 1)

Piketty focuses on the recent explosion of economic inequality, calling it the hallmark of our times. His survey of wealth ownership over the last two centuries shows that extreme wealth concentration is becoming one of the defining features of twenty-first-century capitalism—and also its Achilles' heel. Unsurprisingly, the poorest half of the population still owns nothing, while the wealthiest ten percent continue to own the lion's share of wealth along with the political power it accrues. But one of his greatest concerns is a return to the 'patrimonial capitalism' of previous historical periods, the gilded age of old money, family fortunes and inheritance. In this sense, he sees the 'past devour [ing] the future' (378), as wealth accumulated in the past—wealth hoarded, compounded and multiplied—automatically grows more rapidly than income from work.

In other words, wealth accumulated in the present through a lifetime of labour will always lag far behind fortunes accumulated in the past. Piketty identifies the 'disproportionate importance' that inheritance therefore plays in furthering an already well-established forty-year trend of widening inequality. Unearned—and largely untaxed—inherited wealth is then yet again leading to a highly stratified class system that revolves around access to wealth and assets rather than to labour and income. Indeed, in a separate study specifically focused on inheritance and the distribution of private wealth, Piketty and his co-authors note that in the first decade of the 21st century inherited wealth accounted for an average 50-60 percent of private fortunes in Western Europe, a significant increase from the below 40 percent average in 1980. This trend looks likely to continue and may even reach in excess of 70 percent, the share during the years 1900-1910 (Alvaredo, Garbinti and Piketty 240).

The increasing dominance of inherited wealth over earned wealth certainly calls up images of the Victorian class structure, where the aristocracy and upper classes enjoyed opportunities denied to the majority of the working poor; where the accident of birth and proximity to wealth would determine one's life chances. And, as Piketty shows, therein lies the rub. It's not just inequality of wealth and income that presents as the major problem today, but inequality of opportunity and the slower growth it feeds. The egalitarian promises of Western-style capitalism, especially the idea of meritocracy whereby everyone has a fair shot at success, are revealed as empty and hollow. Assumptions that hard work and talent will be justly rewarded will always be undone by the truism that invested wealth leads to profits way over and above the gains from standard economic growth.

The inequality that has accelerated since the 1980s is in this sense a return to normal, a return to what modern capitalism has always been: a starkly unequal system that brings untold wealth to few and widespread destitution to many. The phase between 1915 and 1970, including two world wars and the great depression, was a period of reduced inequality. Along with the post-war decades of growth, when welfare states took shape and the principle of universal education was strong, when income taxes were relatively progressive and the state was committed to the idea of housing as a basic right and constructed homes for those on low incomes to buy or rent—this phase is now regarded as an anomaly, a departure from the norm of steady wealth accumulation and growing inequality.

But it would be incorrect to assume that this norm is constant or unchanging. Inheritance, and the economic inequality it bolsters, take variable forms, in both time and space. Extensive reforms to the institution of inheritance took place in the modern era with recognition of the obvious incompatibility of inheritance law with liberal humanist ideas of individual rights and meritocracy. In the 20th century further reforms were undertaken, including the implementation of a comprehensive programme of inheritance taxation on both *mortis causa* legacies (made by those dying or contemplating death) and gifts *inter vivos* (transfers made between living persons). In both instances, progressive taxation regimes were intended to support social policies promoting more equitable economic redistribution. Since the 1980s, and largely as a result of neoliberal economic policies, the so-called 'death tax' or 'death duties' have been greatly reduced or abolished completely. Inheritance and estate taxes have not applied in Australia since the Fraser government removed them in 1981.

Images of inheritance, like those in the Victorian novel, have traditionally related to the transfer of private property *mortis causa*, following death, such as a bequest from a testator to an heir. In Australia in recent years, it is *inter vivos* intergenerational transfers of wealth that have attracted increasing public attention. Take the 'Bank of Mum and Dad', now rumoured to be the ninth biggest mortgage lender, akin to a mid-size bank like the Bank of Queensland. With the steep property inflation of the last four decades, house prices in major urban centres have increased rapidly, outpacing wage and salary increases. The practice of parents and older households using the mechanism of inheritance to transfer wealth to their children and dependents for the explicit purpose of buying residential property has therefore been born out of necessity and is now increasingly commonplace. According to one survey, around 55 percent of first-home buyers now receive financial assistance from their parents (Kohler). This kind of *inter vivos* wealth transfer, taking place at strategic times throughout a lifetime—for the acquisition of property, for an addition to a property portfolio—rather than at death, significantly changes the institution of inheritance. It also has far-reaching consequences for class formation and composition, including greater inequality both within and between generations. The increase in *inter vivos* intergenerational transfers of wealth is a trend that has also been accompanied by a suite of financial products, including intergenerational mortgages and family trusts, that facilitate family wealth transmission and dynastic-style wealth concentration.

Australia has been recognised as a country with relatively low levels of income inequality—until housing is brought into consideration. Housing after all is where the wealth inequalities of capitalist societies are most visible, most material and most intimately experienced. House-price appreciation over recent decades has delivered windfalls to large numbers of Australian households and has resulted in an extraordinary consolidation of asset-based wealth. However, it has also become the site of new asset-based inequalities that are radically reshaping the social structures of Australian society and giving rise to new patterns of wealth inequality that belie traditional ideas of Australian social democracy and egalitarianism. Recent monetary and fiscal policies have supported these developments and have led directly to widespread asset inflation at the expense of other forms of economic growth. For a growing number of households, real estate investment is now seen as one of the main sources of future financial stability in the face of stagnating wages. Moreover, asset ownership is increasingly replacing the social security offered by the welfare state as a means to mitigate the risk of unemployment and poverty. Meanwhile, low-income groups, whose ranks mostly comprise renters, struggle to access affordable housing in an overstretched private rental market where rents are skyrocketing.

In Australia, then, the question of intergenerational inheritance and class inequality will always be haunted by the question of housing. It is impossible to address one without addressing the other. As Alison Pennington puts it, 'Many young people are locked out of a housing system dominated by rich older people'. This group are the beneficiaries of the capital gains tax discount housing benefit and negative gearing concessions, with those aged between forty and sixty capturing more than 60 percent of the concessions. 'Are we really a nation of one-dimensional wealth-builders?' she asks (Pennington).

While speculation on house price appreciation has now become a privileged, indeed necessary wealth accumulation strategy, the speculative society that supports it is an unavoidably stratified and highly unequal one. Although mortgage markets may have been extolled as a force of democratisation and a means to *spread the wealth more widely*, they have actually become the site of new systemic inequalities in both the creation and intergenerational transfer of wealth. Indeed, the gap between those who benefit from housing wealth and those unable to access it grows ever larger, especially now that reliance on intergenerational wealth transfers has increased.

Property ownership may increase an individual's or a family's fortune and guarantee their long-term financial security, but it does not necessarily expand a nation's productive capacity. Wealth may have increased through real estate inflation, but there has been no corresponding increase in socially wide income or economic growth; after all, returns from the income on property or other assets accrue only to the already well off or wealthy. Understood in this way, financialised asset-based capitalism certainly seems like a return to the financial environments that prevailed in the 19th century, a situation whereby it's family fortunes, inherited wealth, and the luck of the marriage market, or to even earlier feudal conditions, where landed wealth and property were all that mattered.

Of course, such comparisons make great stories. And they allow us to inhabit the imaginary worlds of Jane Austen with considerable affective pleasure. Or perhaps your taste inclines more to the latest BBC production of *Great Expectations* or even to the glamour of *Bridgerton*? But in the patrimonial capitalism of today the chintz is different, and so are the lifestyles of the super-rich—those ultra-high net worth individuals who generally have over $30 million in assets. Securing a good marriage may still be as important as ever, but the specific dynamics of social class and wealth-based inequalities more broadly have transformed to an extent that they are largely unrecognisable when compared to the recent past. In Australia today the most vulnerable group is unemployed women over the age of 55, who also represent the largest proportion of Job Seeker [unemployment benefit] recipients. This is a big social shift from 2001, when young men in their 20s were the largest cohort. Asset-poor women over 55 are also the fastest-growing demographic of people experiencing homelessness. Such differences matter.

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