9 Inheritance and Privilege

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The Four Questions

1. *What is the problem Shapiro describes?*
2. *What makes it a* social *problem? Who is hurt? Is society harmed? Is the cause social?*
3. *What causes this problem?*
4. *Is there anything that can be done? Why is it so difficult to lessen the problem?*

Topics Covered:

Baby boom generation
Class
Racial inequality
Head-start assets
Inheritance
Meritocracy
Perpetuation of inequality

PARENTAL WEALTH AND HEAD-START ASSETS

. . . The baby boom generation, born between 1946 and 1964, marked a critical transformation in the American experience because a considerable number of them grew up in middle-class families that accumulated substantial wealth for the first time. Now adults with families of their own, since 1990 they have been collecting a $9 trillion bounty from their parents. And this in turn has allowed them to live in houses in neighborhoods that they simply could not have afforded without parental wealth. I do not begrudge an average family inheritance, but I am concerned about how weakened public commitments to children, families, schools, and communities encourage people to use inheritances for private advantage. How adult baby boomers use this unprecedented wealth transfer is crucial to understanding racial inequality. Moreover, most families think they have earned everything and success is entirely of their own making, and this attitude makes progress toward equality more difficult. . . .

A core part of my argument is that family inheritances, especially financial resources, are the primary means of passing class and race advantages and disadvantages from one generation to another. Examining information about parental wealth is a good starting point to explore empirically the potential significance of legacies in perpetuating racial inequality. After all, if whites tend not to come from families with greater wealth accumulation than blacks, there are no financial advantages to pass along, and we can immediately reject a notion of racial legacy secured by family wealth. If whites do come from families with greater wealth, on the other hand, then it is important to examine the extent and effects of this disparity. This seems like a simple question but it is difficult to study because collection of data on parental wealth did not occur until 1988, when the Panel Study of Income Dynamics asked respondents how much wealth their living parents had. Further, parental wealth is not a proxy for future inheritance because we know nothing about individual parents' plans for their money, health care, or financial portfolios, or their ideas about giving, for that matter. Nonetheless, net worth is the single most important piece of information about the prospective *capacity of parents* to assist their adult children financially at critical times like buying a first home or paying for private schooling.

The parental-wealth measure captures the capacity of parents to give their children a head start in life. The parental-wealth charts (Figures 9.1 and 9.2) below show the percentage of all American families whose living parents possess wealth. This includes 81 percent of all families, which seems like a healthy state of affairs but does not give any indication of how much wealth a family possesses. More than nine-tenths of white parents (91 percent) surveyed hold assets compared to fewer than two-thirds of black parents (64 percent).[1]

Of families reporting wealth, the typical family in this survey has parents with just under $150,000 in net worth. Among families who reported positive asset figures for their parents, average net worth skyrockets to over $400,000, with home equity representing the largest source of assets. The huge difference between the mean and median figures again illustrates the huge disparity between rich and poor; most of the respondents' parents have some wealth, but only a few have a great deal. Not

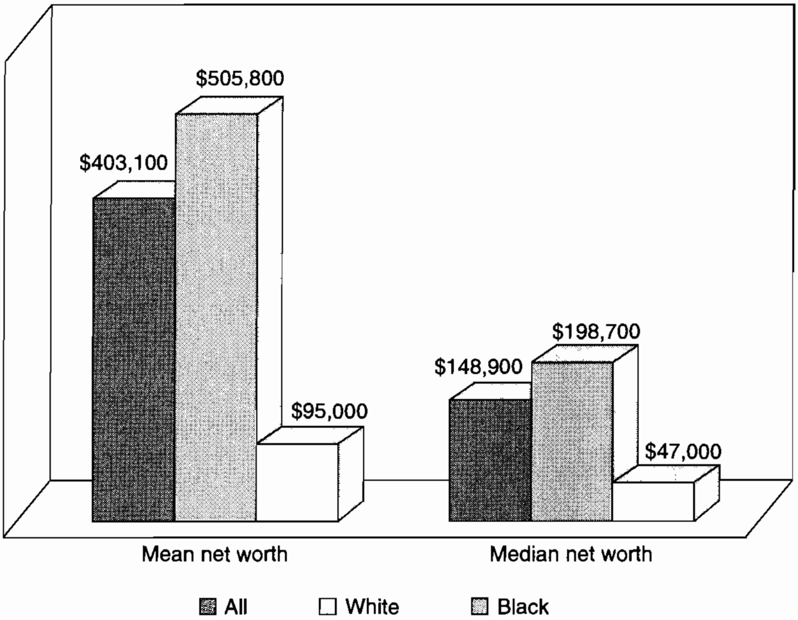

FIGURE 9.1 Parental wealth.*

*1999 dollars.

SOURCE: PSID, 1988.

surprisingly, among those with wealth, these data demonstrate large racial differences in parental wealth: The parental net worth for typical black families was $46,700, compared to almost $200,000 for white families. In other words, among families with positive assets, the financial capacities of the parents of white families are four times greater than those of the parents of black families. The dollar gap is the difference between parents' ability or lack thereof to buy an average house and a midsize station wagon. The average figures are even bigger, $503,800 to $93,000, or 5.4 times greater for white families than black families. These results pinpoint serious differences in wealth between previous generations of blacks and whites.

The important figures in these charts show that whites are about one and a half times more likely to come from families with assets than blacks and that an enormous racial wealth gap exists among families with these resources. In general, whites and blacks come from families with substantially different wealth capacities. What does this mean in practical terms? As a way of thinking about this question, I will describe the concept of *head-start assets* as a way of measuring what considerable financial assistance entails.

. . . . We will look at head-start assets as the amount needed for the down payment and closing costs on the typical home in the United States. In 1999 the median-priced home in the United States sold for approximately $160,100, with typical downpayments ranging from at least 5 percent of the purchase price to about 10 percent. In addition, banks customarily charge a finance fee, usually 1 percent of the loan. At closing, then, a family buying this typical house needs between $9,600 and $17,600. We will use a figure three-quarters along this range to represent head-start assets in 1999—$14,000.

Figure 9.2 displays the percentage of families in the United States whose parents possess enough assets to help their child buy a typical house. This is a quick way of identifying families that might potentially receive large enough financial assistance to transform biographies, improve their class standing, and attain advantages for at least one child. Among all American families, only two in five have this capacity. Breaking this down by race provides a key piece of evidence for my argument. Among those with living parents, half of all whites come from families with the ability to deliver head-start assistance versus only a fifth of blacks. White families are 2.4 times

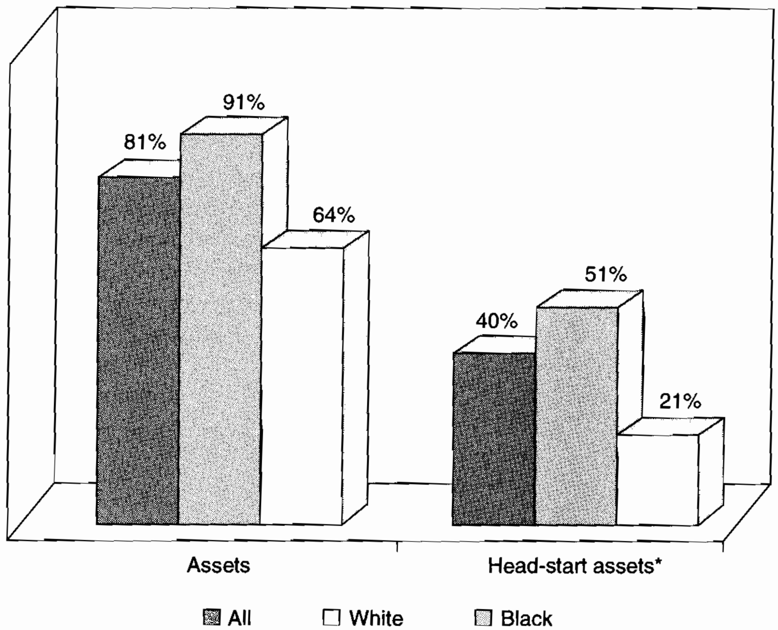

FIGURE 9.2 Parental wealth, percent with assets.*

*$14,000 or more.

SOURCE: PSID, 1988.

more likely than blacks to have parents with substantial wealth resources. Another way to think about this finding is that monetary support among whites is most likely to go from parents to adult children, whereas elderly blacks are more likely to need help themselves from their adult children.

INHERITANCES

We commonly think of inheritance as limited to bequests at the death of a parent, and this sense of inheritance echoed throughout our interviews. When we asked people if they ever inherited money, they always responded with money received at the death of a parent. This notion of inheritance is quite restricting, because it does not include wealth given between living people, usually from parents to adult children. It omits major transfers like parental assistance for down payments for first-time homeowners or paying for college. These transfers are not inheritances in the traditional sense of the word, but they have critical short- and long-term impacts on the well-being of the receiver and his children. One study determined that 43 percent of wealth transfers occur between living relatives.[2] Therefore, to arrive at a reliable idea about the role of inheritance in passing advantages and disadvantages along from generation to generation, these kinds of wealth transfers must be included and evaluated. . . .

In our interviews, not one white or black family even mentioned parental payment of college expenses as inheritance.[3] Almost all acknowledged the helpfulness of parental support; they just did not consider it part of an inheritance. We therefore asked who paid their college expenses and probed for an estimate of what portion came from parental assistance. I am convinced that omitting payment of college expenses from how we think about inheritances neglects a significant wealth accumulation dynamic, just as it renders comparing white and black savings rates highly suspect. Simply, college graduates without debts and college loans start their working lives with a huge head start over those who start their working lives having to pay back $50,000 or more in college loans. In this instance, the intergenerational transfer shows up not as accumulated wealth in the possession of families but rather as lack of debt. Of course, it also could be a decisive factor in thinking about going to college. In our interviews, 15 African American and 7 white families talked about still paying off student loans from college and technical schools, which they invariably called burdensome. Student loans weighed heavily on one person who told me her "student loan was going to follow me the rest of my life." Another person told me, "I have my student loans and I have bad credit. And we didn't even graduate!"

Cultural capital is yet another form of inheritance that allows families with ample assets to pass along nonmonetary benefits to their children that give them a competitive edge in school, the job market, and other areas. Cultural capital refers to an understanding of what gives a person advantages or disadvantages in school, business, and social situations; for example, knowing the work of the painter Jacob Lawrence signifies a particular knowledge of and taste in art and might add points on college entrance exams, reveal class standing in a business meeting, or provide a connection in a social setting. It also refers to other intangible preferences associated with different classes or groups that are important parts of inheritance and upbringing parents give to children. . . . Closing times, school sports schedules, and extracurricular activities in most upper-middle-class public and private schools typically assume that one parent who is not working will be available to drive children. A child whose family does not fit this standard sticks out. On an individual level, cultural capital may seem as silly as knowing a salad fork from a fish fork, but it often is the kind of informal knowledge that signals one's class—whether one "belongs" or not. Cultural capital is acquired through family life, formal education, informal educational experiences such as visiting museums and zoos, social connections, networks, friendships, proficiency with cultural codes and nuances, and community. Cultural capital is typically found where financial wealth is high.[4] The point here is that individuals inherit different opportunities for cultural capital, and lack of cultural capital can pose a significant impediment for advancement.

WHO INHERITS?

. . . The first examinations of financial inheritances among normal American families appeared in the 1990s. Studies indicate that nearly 1 in 4 white families (.244) received an inheritance after the death of a parent, averaging $144,652. In stark contrast, about 1 in 20 African American families had inherited in this way, and their average inheritance amounted to $41,985. White families were four times as likely as blacks to benefit from a significant inheritance, and whites were much more likely to inherit considerably larger amounts, by a $102,167 disadvantage.[5]

Another recent study suggests that about one-third of baby boom whites in 1989 were due to receive future inheritances worth more than $25,000 ($34,718 in 2000 dollars), versus fewer than 1 in 20 blacks. Over the lifetime, whites' inheritances are on average seven times larger than blacks' inheritances. The study estimates that the white-black gap in the value of inheritances for baby boomers will be much larger than it is for those born before 1946. Black boomers will inherit 13 cents for every dollar inherited by white boomers. The mean white baby boomers' life-time inheritance will be worth $125,000 (in 2000 dollars) at age 55, as compared to only $16,000 for black baby boomers. The preceding generation of whites inherited around $70,000. The black-white inherited gap is larger than the noninherited-wealth gap among baby boomers.[6]

We also know that about one in five families receives help from living relatives, averaging about $2,500.[7] Surprisingly, family assistance is just as common among poorer families as among wealthy families, though the amounts differ considerably. Black Americans were just as likely to receive this sort of family assistance as whites. The difference obviously was the largesse of the helping hand. The gift for the average white recipient was $2,824, compared to $805 for black families. Black families are just as willing to help their adult children, but their circumstances limit their ability to do so.[8]. . .

Table 9.1 compares families who inherit wealth with those who do not inherit or have not yet inherited. Inheritors can be distinguished from noninheritors in that they are older, have fewer children, are better educated, and are more likely to own their homes. One of every two families who inherited money works in upper-middle-class occupations, compared to fewer than one in three families (30 percent) who have not inherited wealth. Perhaps more fundamental, key resource differences separate families who have inherited from those who have not. Families with a financial inheritance report significantly higher incomes, $49,200 to $38,000. Net financial assets divulge the widest and most revealing breach between inheritors and noninheritors. Mean and median net financial assets among inheritors amount to $282,600 and $57,000, compared to $94,300 and $10,000 for families who have not inherited wealth. . . .

Table 9.1 Who Inherits?

	Inheritors	Noninheritors
Mean Net Financial Assets	$282,643	$94,301
Median Net Financial Assets	$57,000	$10,000
Mean Net Worth	$361,907	$129,800
Median Net Worth	$129,236	$28,700
Median Income	$49,230	$38,000
Median Number of Children in Family	0.0	1.0
Median Years of Education	13.0	12.0

SOURCE: PSID, 1984–1999.

The most dramatic findings concern the black-white inheritance gap. Twenty-eight percent of whites received bequests, compared to just 7.7 percent of black families. Three and a half times as many white families already have received an inheritance as black families. Even this wide disparity does not represent the full measure of inequality, because for whites the average inheritance amounted to $52,430, while for black Americans, it amounted to $21,796. Median inheritance figures registered $10,000 for white families and $798 for black families. Thus, among those fortunate enough to receive bequests, blacks received 8 cents of inheritance for every dollar inherited by whites. . . .

Two sets of observations seem pertinent here. First, matching virtually all the other data we have presented on the racial wealth gap, whites receive inheritances at least three times larger than African Americans and up to 20 times greater (among 45–65-year-olds). Inherited money is the most obvious form of nonmerit wealth, and in this regard Figure 9.3 discloses a black-to-white inheritance ratio that is larger than the baseline racial wealth gap, 8 cents on the dollar of inherited wealth versus 10 cents on the dollar total wealth. This is prime evidence for our understanding that inheritances are reversing gains earned in schools and on jobs and making racial inequality worse.

The difference between average and typical inheritance for black Americans is striking. The typical (median) inheritance is less than $1,000, which simply means that at least one-half of blacks who inherit receive less than $1,000. By way of comparison, more than one-half of all white inheritances amount to $10,000 or more. . . .

In our interviews, families spoke about the advantages family assistance and inheritances—both when parents pass away and at important life events like graduation, marriage, and birth of children—give them in getting a head start in life. As we already suggested, and our interviews emphasize, the single event (other than parental death) that triggers by far the largest transfer of wealth between generations is the purchase of a first home. Homeownership provides the pathway to community and schooling, and parental assistance in buying a first home is key to setting opportunities for their adult children and their families.

The families we interviewed correspond with the national studies, even as they furnish another layer of information. Only three black families out of 85 had received a head-start inheritance, at least $14,000, upon the death of a family member. In contrast, just about one in four white families already had received similar substantial inheritances. In our interviews, whites were seven times as likely to be given substantial inheritances.

Among white families who received an inheritance, the amount averages $76,000, compared to $31,000 for blacks. Among all black inheritors, half received less than $10,000; among all white inheritors, only five bequests fell below the $14,000 mark. Whites received about two and a half times as much money when they did inherit.

Beneath the numbers, the patterns and stories are revealing. The mention of grandparents in our interviews provides an interesting clue linking financial assistance to previous generations. Remember that we interviewed people who were mostly between 25 and 45 years old, when it is likely that one or both parents are still alive. Two black families mentioned receiving money from grandparents, and in both cases the amounts were quite small. More striking, however, is that 14 (out of 22) white inheritors mentioned wealth passed to them upon the death of grandparents. For the most part, the amounts are not

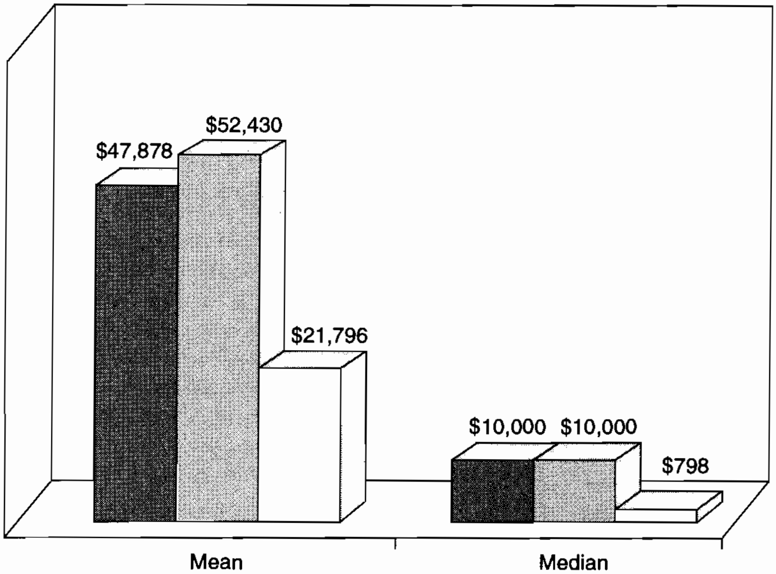

FIGURE 9.3 Inheritance and race.*

*1999 dollars.

SOURCE: PSID, 1984–1999.

staggering or even substantial. What the low level of inheritance from grandparents corroborates is that the legacy of grandparents of black baby boomers, who lived and toiled under harsh discrimination and glaringly different conditions, did not include financial resources. We see a glimpse of the racial reality of two generations ago continuing to impose and structure differences onto the present generation of young adults and a generation of children still coming up.

Passing wealth along to children or grandchildren apparently involves passing along class standing as well. The racial wealth gap is an important reason why black families have more difficulty passing along achieved middle-class status than white families do. A large proportion of families who were given inheritances could claim middle-class status. This is verifiable for both white and black inheritors, as only 2 of 8 black inheritors and 4 of 22 white inheritors are below middle-class standing, as measured by income, jobs, or education. Interestingly, if we think of people who inherit wealth but cannot sustain a middle-class existence as falling from middle-class grace, then those falling from grace are mostly women inheritors who subsequently experienced marital difficulties and women who were single mothers at the time we talked. The income consequences for divorced or separated women have been a cause for concern for some time.[9] Our interviews hint forebodingly at the devastating asset consequences for these women, their children, and the subsequent well-being of the family. . . .

TRANSFORMED LIVES, DESERVED INHERITANCES

Americans believe in a strict form of meritocracy that mandates that we should only get what we earn through ability and effort. Listening to how families tell the story of inheriting wealth and the meaning they attach to this advantage in light of our meritocratic ideals provides valuable insights into understanding how families view success and reconcile conflicting values of inheritance and earned wealth.

Twenty miles from the Arch in downtown St. Louis, the Barrys and their three children moved in 1996 into a "real cute little house" on a bluff alongside the Mississippi River. Joe Barry is a computer specialist, and Briggette is a sign language interpreter who works part-time. Both earned college degrees, and their combined income is $70,000 a year. This is a solid middle-class family—educated suburban homeowners with professional jobs. They live close to Briggette's parents in a smallish white and gray vinyl-sided house, with a basketball hoop, surrounded by trees and open space. It looks like a picture-perfect place to raise kids. Their daughter attends parochial school; the two boys are still in day care. Joe and Briggette's parents enjoyed successful careers (one was a teacher, one a lawyer, another a school principal), and they accumulated considerable wealth during the post-World War II economic prosperity. This family is on track for the American Dream, but the road has not always been straight or smooth. They have relied upon parental financial assistance to maintain their success, middle-class life-styles, and identities.

Our conversation about parental helping hands starts when I ask Briggette if they had any trouble coming up with the down payment for their new house. "Not at all," she said. "My parents gave it to me. So it was a real easy matter of depositing a check." Before her parents offered this money, she explains, it was not going quite so easily at all.

> *We were trading in the kids' savings bonds. We were working two jobs each. We were working at night. We were working around the clock. We were saving every penny. We were having garage sales. And finally my mom said, "Well, this is stupid. We've got a lot of money here."*

When I ask if they encountered any unanticipated expenses with closing costs on the house or moving, Briggette remembers the difficulty they had because of two open Federal Housing Administration–insured loans. "We had to convert from an FHA loan on the new home to a conventional one," she says, "so we had to come up with an additional ten thousand dollars in closing costs within the span of seven days." For most families, coming up with an additional $10,000 within a week would throw a gigantic wrench into their plans. How did they do it? Briggette said to her mother, "'Mom, we need more than we thought.' And my mom and dad gave it to us. They gave us a chunk; we had the whole chunk of money for furniture and other things. But instead we had to take ten thousand of the money they gave us and put it into the closing costs." All together, her parents gave Briggette and Joe $30,000, and her grandmother chipped in another $2,000 to help with the move.

When I ask about other kinds of financial assistance, Briggette says she probably has "bought a total of five outfits for my children," because "every season" her mother buys "a whole wardrobe for each of my three children." I ask if her parents help with day care. Briggette says, "Not on a daily basis. They're too old for that." This ubiquitous parental assistance must leave them lots of discretionary spending money in their $70,000 earnings, which could boost their savings rate, so I wonder how they spend their money. "Oh," Briggette says, "we piss it away on our kids."

> *We go to movies. Oh, here I go. Because we are both full-time working parents, and we don't have, like, Mommy at home—I don't know about you, but when I was a kid, Mommy was home. In the summertime, every night, it's Discovery Zone or the swimming pool, or McDonald's or Raging Rivers or Six Flags. I mean, almost every night, unless we're just too tired to do anything. We spend our money on our children. We spend at Blockbuster Video. We spend a hell of a lot of money on groceries. My kids eat me out of house and home. Yeah, we spend a lot on day care and private school. But seriously, when I add it up, it's about fourteen thousand dollars a year. It's unbelievable. But it's worth it, you know? What are my choices? That's what I wanted. I wanted kids. You have to pay for them.*

Parental help started much earlier in their marriage, when Briggette was pregnant with their first child.

> *Early in our marriage, we had a lot of financial difficulty. When I was—let's see—when I was seven months' pregnant, Joe got laid off from his job. And then I had to go out on medical leave because I could no longer work. We almost went into financial disaster. We almost lost our home.*

How did they save their home?

> *My mom and dad and his mom and dad chipped in and gave us the money.* Parents again. That parent thing [emphasis added]. *They gave us the money. And we turned all of our bills over to Consumer Credit.*

What about presents from family that help financially—or other major gifts, like a television, car or dishwasher?

> *Sure. Lots. Yes to all of it. They've given us money for the down payment on the house. His father bought us two of our cars, and my parents bought us one of our cars. My parents bought us a washer and a dryer. My parents paid the tuition for my daughter's school, because it's the Catholic school and they just wanted her to be educated for that. Let's see. Yeah,* you name it, we get it [emphasis added]. *They paid our mortgage payment for two months, before my husband found his*

other job. They have set up trust funds for my children, for each of my children; so that when it's time for them to go to college, they will have money to do so. This isn't money they gave us, but they helped us set up financial plans for Joe and me for retirement.

I ask Briggette to estimate the value of the help her parents give them by buying clothes, household appliances, and other presents, taking them out to dinner, and so on—things one normally does not count. She is taken aback somewhat—"Oh, my God! Like I can really put a price tag on it"—but manages an estimate: "Oh, Jesus, I would seriously say fifty or sixty thousand dollars [since her marriage] . . . maybe five thousand a year."

Briggette Barry's memory seems accurate as she catalogues all sorts of parental wealthfare with matching dollar figures. At various points in our conversation, she expresses great appreciation and gratitude for this familial help, commenting, "Gotta love parents." However, as soon as the conversation turns to how she and her husband acquired assets like their home, cars, and savings account, her attitude changes dramatically. "As far as anything else [their assets], no," Briggette asserts, "we worked our butts off for what we have." How did they acquire the cars? "Worked our butts off to pay for them." How did they accumulate their $3,000 savings account? "Worked for it. All worked for it." The $1,000 retirement account? "Yes. It's taken out of my check."

She is emphasizing an important point I heard from many other families. While acknowledging a generous parental helping hand and the loving bonds between generations, the Barrys—like other families we interviewed—adamantly maintain that they deserve the unearned wealth benefits that transform their lives and opportunities. The Barrys describe themselves as self-made, conveniently forgetting that they inherited much of what they own. I do not doubt how hard they work to improve their lives, and I am sure their hard work has improved their well-being, but hard work alone has not brought them to their current level. The flawed and uncritical attribution of success to hard work precludes coming to terms with their unearned advantages. It redefines what is fair and what is unfair in a way that puts the onus for lack of wealth on those without the same advantages. Simply, what a family inherits cannot be earned. The idea of deserving unearned things is very important to the Barrys and families like them in that deservedness and worthiness substitutes for earning and merit. I emphasize this because we so often confuse advantages and connections with ability.

Had their biographies been different, they would not be able to afford their suburban middle-class home, and their daughter probably would not be attending private school. Even with a $70,000 family income, with their bad credit histories, sizable credit card debt, and no savings available for a down payment, homeownership would be highly improbable. It is entirely possible, had they not come from prosperous and generous families, that they might have made different choices in the past to avoid the financial mess that necessitated parental bailouts. The point here is not to ponder counterfactual, hypothetical scenarios so much as to underscore the taken-for-granted sense of entitlement around deservedness we found in many of our interviews with white middle-class families. Presented with the Barrys' information without all the parental assistance, a mortgage officer most likely would advise them that their financial situation exceeds commonly used industry standards and might suggest that, although mortgage underwriters use discretion in approving loans for people who have large debts in relation to their income, it would be prudent to look for ways to lower their housing sights or change plans.

Many of the families we interviewed expressed similar thoughts about inherited money. They rationalize handed-down advantages as deserved by attributing success to their own endeavors and hard work. Sociologist Heather Beth Johnson writes about a sense of entitlement among middle-class white families.[9] In her reading of these interviews, she describes an ideology of meritocracy: the idea that positions are earned through hard work and personal achievement and through no resources other than one's own. Families talking about "earning" their assets through hard work, a solid work ethic, and playing by the rules legitimize this entitlement. For many of these families, it is as if the effort of earning the reward is more important than actual accomplishments.

Glee and Barry Putnam, 36 and 38 years old, live in a suburban middle-class subdivision in South County St. Louis. Barry works as a computer network technician for a large Fortune 500 corporation, where he earns about $45,000. Glee takes care of their six children, who range in age from 3 months to 12 years. Their financial resources are typical of America's broad middle class, $56,000 in net worth and $26,300 in net financial assets. I ask them about the role of parental help in their lives.

GLEE: *My family helps us, yes. . . . When we got married, our parents gave us some money* [about $5,000]. *When we came into this house, my mom* *gave us some money to help with the carpeting, and just things like that. My parents help out with my kids.*

INT: *What gifts did they give you when you were married?*

GLEE: *Well, my parents give us gifts all the time. I mean, they're both retired, so it's like "Let's help you out here." They'll come out here, they'll give us gifts. "Oh, let's buy dinner the entire week we're out here" or "Here's some extra money for gas since you're bringing us all around," you know. They'll do things like that.*

INT: *When they helped with the home repairs when you first moved here, do you have an idea of how much they may have given you as a gift?*

GLEE: *They didn't really help with the home repairs. . . . They wanted to help with the carpet, that was my mother's gift. "Here's some money, go out and buy carpets, carpet, whatever you can with this amount of money."*

INT: *Okay, do you remember how much that was?*

BARRY: *A thousand dollars.*

INT: *Have you received financial help from your family, like did they help pay for college or help out with the purchase of a house or home repairs or any other kinds of assistance that you can think of?*

GLEE: *Well, like, my parents helped me get my first house.*

BARRY: *Six thousand dollars.*

INT: *Was that a loan or a gift?*

BARRY: *A gift.*

GLEE: *It was a gift.*

INT: *That's fine. Any other gifts that you can recall over time?*

GLEE: *She gave us about $450 for the kitchen, didn't she?*

BARRY: *Just two years ago we redid the kitchen, and she gave us some money for that.*

GLEE: *My parents help us out all the time by just giving us money.*

BARRY: *Oh, they have flown everybody at some point or another out there* [Utah] *to vacation for a while.*

Glee and Barry have just catalogued how their parents gave them a large cash gift as a wedding present, a $6,000 down payment to buy their home, financial help in remodeling their kitchen, $1,000 for carpet; in addition, their parents help pay for family vacations and give them money regularly. In other parts of the interview they acknowledge that they could not be living where they live and their children would not be in the schools they are without parental help. Yet when I ask how they acquired their assets, they put a different spin on it.

INT: *How did you acquire the different assets that you own, like the money in the savings account?*

BARRY: *We worked for it.*

INT: *That was just, like, from every paycheck?*

BARRY: *Yeah.*

INT: *And the stocks, that was from?*

BARRY: *Every paycheck.*

INT: *Okay, and the IRA?*

GLEE: *I worked for it, I saved from work.*

BARRY: *The same thing.*

INT: *Same with the home equity and—*

BARRY: *Um-hum, everything, overtime for that.*

Ambiguity and denial about inherited money provided poignant moments in many of our interviews, affecting how families told their stories as well as what they said. Loans became "gifts," as we will see when we examine down-payment monies. Wives corrected husbands about amounts given by the wife's parents, and vice versa—in every case adjusting to a higher amount, as the original answer downplayed the importance of that gift in the couple's success. Precise answers in previous sections of the interview to questions like the class of the neighborhood they grew up in sometimes gave way to hesitation. The reason for this, I believe, is that these families were responding to the strongly held American belief of meritocracy, knowing that the advantages they were describing were not wholly earned. For many of these families, the language of deservedness had replaced the fact of achievement and merit.

The concept of transformative assets challenges this understanding and instead examines the ability of inherited wealth—nonearned assets—to structure class standing beyond a family's earnings. The test is simple: Are a family's life chances bettered sufficiently by their inherited assets to move them upward in class, community, and educational environment for their children? In the mosaic of America, there are no typical families, but we can look at lots of different pieces that make up the larger pattern. From our interviews, at least, we get a solid foundation for determining the validity of the concept of transformative assets and the frequency with which such assets are found in families. The interviews also give us an appreciation of the large number of ways in which assets influence life chances and change families' lives, including the way they think about themselves and their future. . . .

The Fergusons are accomplished professionals with a family income in the top 10 percent. But even with their $100,000 income, if it were all they had, Shauna and Shawn would not be close to the financial position and status they enjoy. Wealth accumulated over two generations assists the Ferguson family in living a good and secure life.

Nancy and Mark Hollings also are white and live with their daughter in Dorchester, an economically and racially diverse section of Boston with old but solid housing stock. The prices there seem low in the otherwise hot Boston real estate market because some sections of the community are poor and black. Nancy is an administrator in the nonprofit sector, and Mark is a teacher. Together their salaries are a very respectable $70,000. They bought their condominium just as the Boston housing market reached a low point, in 1995. In fact, they paid $55,000 for it, whereas the previous owner had paid twice that amount just a few years earlier. Most middle-class white families, and some black ones, see Dorchester as "iffy" due to its high level of class and race diversity and rapidly changing neighborhoods. The traditional valuing of location does not work well in such mixed communities, and families like the Hollingses feel that they have found good value for their money, as long as they are willing to take the risks. They were able to make a down payment of half of the purchase price with monies inherited from an uncle and a grandfather and a "loan against the inheritance" from Nancy's parents.

Financially, this family seems to be doing well, as represented by their good income, low living expenses, and over $100,000 in net worth. As is the case for most middle-income American families, their largest asset pool is their home equity; for the Hollingses, it represents one-half of their net worth. When I ask how they acquired their assets, Nancy says, "From working. I'd say at this point, most of the money represents earned income." In essence, their families gave them a large down payment for their condominium, so they had to take out only a small mortgage and therefore pay a relatively small amount in fixed monthly housing costs. Because of this, they are able to put money aside from their salaries and invest it. Since 1995 these assets from savings and investments have grown to about $50,000. Truly, then, Nancy is correct when she says that most of their assets come out of earnings. In another sense, however, one needs to recognize that this family's ability to save, invest, and accumulate $50,000 is highly structured by the large down payment, inherited or given by family, that fixes their housing costs at a small amount of their monthly income and leaves considerable discretionary income for investments at the end of each month.

What if there were no family inheritance? The point is to examine how they put their good fortune together. It would cast their choices about homeownership, community, and education in an entirely different light—the same light as many of the families we talked to who do not have assets. And this, in turn, would affect where they live and the schools their children attend. Because of their large down payment and relatively small mortgage, their current fixed monthly housing costs are $250, far below typical rental housing costs in Boston. With a solid income of $72,000, well above what most American families earn, they would qualify for a mortgage of about $170,000 and pay $1,500 monthly housing costs. The Hollingses, in fact, could buy the same house they live in now without family assistance, but the family finances would look very different. The current low monthly costs would rise considerably, by $1,250 in additional mortgage and interest payments. In this light, their ability to save, invest, and accumulate over $50,000 in financial assets is made possible directly by their inheritances. In essence, family inheritances give them an additional $1,250 in discretionary resources each month. . . .

American society is of two minds about inheritance, and we seem to want it both ways. We take pride in our accomplishments, often marking them in monetary terms, and see nothing wrong in passing on what we earned to our children. Indeed, part of the motivation for working hard and acquiring things includes bettering our family and our children for future generations. This notion, however, collides with the equally strongly held notion of meritocracy because inheritances are unearned, represent a different playing field entirely, and have precious little to do with merit, achievements, or accomplishments. We live with this duality, partly because we deny what inheritances represent, partly because we see it in individual and family terms, and partly because the current political balance heavily favors those with advantages and privileges.

We need to recognize that inherited wealth can perpetuate inequality. The sociologist Georg Simmel called money a frightful leveler, but it might be more appropriate to understand inherited money as a frightful conveyor and transmitter of inequality. Inheritance is not an achievement, and we are conflicted by it. Asking how inheritance has affected our lives can deepen our understanding of inequality. . . .

NOTES

1. PSID families were asked questions concerning parental wealth only if they had at least one living parent. Unfortunately, the collection method for this information is less than optimal. If respondents said their parents had positive assets, they were asked how much. Those who knew approximate dollar amounts specified the figure, while those who did not know or were hesitant about answering were then given wide bracket choices and dollar figures that did not require specific amounts. The available data, then, reflect this two-tiered approach: Some families specified amounts, some gave brackets, and still others combined both methods. In our reporting for the brackets, we used figures for each bracket. For example, if a family reported that their parents' wealth fell in the $1,000 to $25,000 range, we used $12,500 as the mean. The total effect of this procedure raises the floor and lowers the ceiling; that is, amounts tend to compress to the middle.
2. See Gale and Scholz (1994).
3. In the inheritance tabulations from our interviews we did not count college expenses as a direct inheritance partially because I decided not to spend the time required in each interview for people to remember and calculate the exact dollars.
4. Bourdieu (1973); Miller and McNamee (1998); Keister (2000).
5. See Wilhelm (2001).
6. Avery and Rendall (2002).
7. These data are taken from Wilhelm (2001).
8. In some ways, these 1987 data are as disturbing as the bequest data because the $2,000 racial difference represents a single year's financial assistance. Suppose this $2,000 racial difference recurred every year?
9. See Weitzman (1985) for instance.
10. See Johnson (2001). Her insights were critical in shaping my interest in this material.

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DISCUSSION QUESTIONS

1. Americans believe in the idea of a meritorious society and largely see personal success as the product of hard work and individual effort. Shapiro is challenging that view in this essay. Is he convincing?
2. What are the head-start assets and how do they create privilege? Is this contrary to your view of a democratic society?
3. What historical factors have contributed to the vast difference in inheritable assets between African- and European-Americans?
4. How might the inheritance gap create a problem for society?
5. What are some of the ways the inheritance gap might be lessened? Do you favor any of these ways?
6. Examine your own situation. What, if any, advantages have you had because of inheritance?