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MPIfG Discussion Paper 09/6

# Trust and Estate Planning

## The Emergence of a Profession and Its Contribution to Socio-Economic Inequality

Brooke Harrington


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MPIfG Discussion Paper 09/6
Max-Planck-Institut für Gesellschaftsforschung, Köln
Max Planck Institute for the Study of Societies, Cologne
June 2009

MPIfG Discussion Paper
ISSN 0944-2073 (Print)
ISSN 1864-4325 (Internet)

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## Abstract

This paper offers a fresh perspective on the connection between professional work and socio-economic inequality by tracing the emergence of the trust and estate planning profession in America. Unlike studies of inequality and the professions that focus on the status attainment of individuals and their families, or on labor market segregation, this paper explores professional work as a means of creating and reproducing larger systems of socio-economic stratification. Trust and estate planners contribute to macro-level inequality by helping wealthy clients accumulate large fortunes and pass them on to their descendants; this, in turn, has shaped the status and composition of other professions. As sources of economic power have changed – moving from land and factories to more fungible forms – the need for legal, organizational and financial strategies to protect assets from taxation, creditors, and spendthrift heirs intensified, catalyzing the transformation of trust and estate planners from amateurs to professionals. Thus, trust and estate planners are both products and producers of the changing worlds of work and wealth. To shed light on these transformations, this paper will draw on the literatures of sociology, economics and anthropology, focusing on these professionals' three critical roles – as investors, administrators, and guardians of wealth – in reproducing systems of stratification.



## Zusammenfassung

Dieses Papier untersucht die Professionalisierung der Treuhand- und Immobilienverwaltung in den USA. Im Gegensatz zu anderen Untersuchungen über soziale Ungleichheit und Berufsstände, die auf das Erreichen eines bestimmten Status von Individuen und deren Familien oder auf Arbeitsmarktsegregation abzielen, werden Berufsgruppen hier hinsichtlich ihres Einflusses auf soziale Stratifizierung untersucht. Treuhand- und Immobilienverwalter fördern soziale Ungleichheit auf der Makroebene, indem sie wohlhabenden Klienten helfen, große Vermögen anzuhäufen und diese ihren Nachkommen zu vererben. Dies wiederum hat Auswirkungen auf den Status und die Zusammensetzung anderer Berufe. Als die Quellen wirtschaftlicher Macht, früher Landbesitz und Industrieeigentum, fungiblere Formen annahmen, stieg der Bedarf an juristischen, organisatorischen und finanziellen Strategien, Vermögen vor der Besteuerung und dem Zugriff durch Gläubiger und verschwenderische Erben zu schützen. Dies beförderte die Professionalisierung der Vermögensverwalter und machte sie gleichermaßen zu Produkten und Produzenten der veränderten sozialen Organisation von Arbeit und Wohlstand. Das Papier vergleicht Literatur aus Soziologie, Ökonomie und Anthropologie und erklärt die Entwicklungen im Hinblick auf die drei kritischen Rollen der Vermögensverwalter in den verschiedenen Systemen sozioökonomischer Stratifizierung: als Investoren, Administratoren und Vermögensverwalter.

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## Introduction

Professional work has been linked to inequality through decades of research on status attainment (Blau/Duncan 1967) and occupational prestige (Abbott 1993). The present study takes a somewhat different perspective on that linkage by examining how some forms of professional activity reproduce broader patterns of socio-economic stratification, with effects beyond the realm of work. That is, through expert use of the law, as well as organizational and financial instruments, some professions not only affect the status and resources of individual professionals and their families, but can shape opportunity structures and inequality at the societal level.

Trust and estate planning is one such profession, in that it consists of helping wealthy people transfer their socio-economic privileges across multiple generations, creating enduring clusters of status, capital and resources. Following Abbott's (1988) call to examine the professions within an environment of interacting, transprofessional forces, this paper examines trust and estate planning as a profession that has contributed at multiple levels to enduring inequality in America, from building individual family fortunes to the creation of broader class institutions such as trust funds and charitable foundations. Not only have they helped concentrate wealth in the hands of a tiny elite, but as a consequence of their work, *other* professions were transformed. However, recent years have seen a "falling away of sociological research about class, power and wealth" (Gilding 2005: 32). The study of trust and estate planners represents an opportunity to revive this line of scholarly inquiry through the theoretical perspective of the sociology of the professions.

Like other professional groups, trust and estate planners are engaged in ongoing efforts to secure their status in the changing world of work; the theoretical interest of this group lies in the way their professionalization process intersected with larger patterns of stratification in the United States. As sources of wealth became more fungible starting in the post-Civil War era – moving slowly from land and factories to financial instruments and intellectual property – the traditional means of holding family fortunes together (such as entail, primogeniture and intermarriage) became less effective, and the need for expert guidance intensified. By building and managing asset-holding structures like trust funds, trust and estate planners ensured the family's financial security, freeing the younger generations from their responsibilities to the family business along with the necessity of working for money – what Veblen called "industrial exemption" (1994 [1899]). On the one hand, these efforts made the "leisure class" possible; but they also allowed the well-educated, well-connected children of upper class families to enter careers in medicine, the law, politics, the arts and philanthropy. So at the same time as the family businesses on which their fortunes had been established were being

The author gratefully acknowledges the support of the Alexander von Humboldt Foundation and the Max Planck Institute, as well as the helpful comments of Jens Beckert, Guido Möllering and Philipp Klages. Please address comments to: harrington@mpifg.de.

turned over to professional managers (Berle/Means 1932), many of the families were themselves delegating some of their traditional accumulation and redistribution functions to trust and estate planners, with lasting effects on the distribution of wealth and the composition of the professions in America.

This paper thus foregrounds the actions and agency of professional work, taking the position that "professionals are agents of change and have a degree of control over institutional and organizational development" (Roberts/Dietrich 1999: 991). In contrast to research that examines the way professional work affects the position of individuals and families in larger systems of inequality, this study will investigate how some professions help build those systems. Because trust and estate planners are in the business of creating organizational and economic structures that transform one generation's accumulated wealth into dynastic privilege, *members of this profession simultaneously shape and are shaped by macro-level patterns of inequality*. By tracing the development of trust and estate planning from its beginnings as a voluntary, amateur undertaking through its modern instantiation as an elite international professional group, this paper seeks to expand the theoretical model linking the professions to status and stratification.

Existing research on wealth and families has only hinted at the crucial load-bearing role the profession of trust and estate planning plays in supporting socio-economic macro-structures like stratification regimes. This may be due to the relatively recent emergence of the profession. Trust and estate planners only began to take the initial steps toward recognition as professional group in the mid-nineteenth century, as a result of rulings from the Massachusetts Supreme Court, and then only within the confines of a small geographical concentration of American "old money." The professionalization process proceeded quite slowly, such that the group's only professional society – known as STEP, short for the Society of Trust and Estate Practitioners – was not established until 1991. Since there must be ongoing effort by "the profession to convince the public of the value of its services and the trustworthiness of its practitioners" (Pescosolido/Tuch/Martin 2001: 3), trust and estate planning continues to evolve through boundary-setting and institutionalization efforts; this has resulted in a membership of 14,000 individuals in 39 countries, growing at a rate of approximately 1,000 new members per year.[1] Because many of those who practice trust and estate planning are also members of other professions, such as accounting and the law, STEP has promoted the term "trust and estate planner" as the preferred designation for those specializing in services to wealthy families with intergenerational transfers to manage, or those with dynastic aspirations. The professional title has been further formalized through the STEP-issued credential TEP – short for Trust and Estate Planner – which members who have passed the TEP qualifying exams are encouraged to use in the same ways that other professionals use the letters CPA or MD after their names.

1 Details on STEP history and membership from <www.step.org/showarticle.pl?id=60>.

On the one hand, this timeline of slow development followed by rapid expansion raises questions about the process of professionalization: *what catalyzed the development of a professional class of trust and estate planners after generations of amateur and voluntary activity?* At the same time, the work of trust and estate planners also provokes questions about socio-economic inequality, such as: *what can the rise of this profession tell us about the way dynastic wealth is made and maintained, despite the myriad of laws and policies in place designed to thwart enduring inequality?* In the United States, for example, many European traditions that perpetuated concentrated wealth – like entail and primogeniture – were abolished within a decade of the Declaration of Independence; yet despite these measures, and the later introduction of inheritance and income taxes, levels of inequality have remained remarkably stable since the nineteenth century, with 1 percent of the population controlling roughly 40 percent of the nation's wealth (Keister 2005).

In explaining patterns of resource distribution in societies, the

> challenge is to ascertain *who* makes things endure and *how*. Far from being automatic, reproduction requires appropriate agencies that tap distinct sources of legitimation to render socially acceptable the individual transfer of the various forms of social capital owned by individuals or groups. (Clignet 1992: 29, emphasis in original)

These "who" and "how" questions point back to the professions, particularly in the American case, because socio-economic stratification stabilized around the same time in the mid-1800s as trust and estate planning began to professionalize. In this empirical setting, the processes of professionalization and stratification are deeply entangled.

To examine these questions, this paper will review the literatures on the professions, legal history, and the family from disciplines including sociology, anthropology and economics. A guiding motif will be the observation that there is nothing natural or inevitable about dynastic wealth and the inequalities it engenders; as anthropologist Annette Weiner writes, "The reproduction of social relations is never automatic, but demands work, resources [and] energy" (1992: 4). Thus, this paper will assert that the work of trust and estate planners is essential to the maintenance of a particular set of socio-economic relations, through their expert control over structures that concentrate power, status, money and other resources in the hands of their clients. Their history of professionalization, and their three critical roles in the global socio-economic system – as investors, administrators and guardians of wealth – will be reviewed in the following sections.

## Trust and estate planning as a profession

As a large body of research attests, professions are high-status occupations based upon expertise certified by formal qualifications, often structured by an apparatus of legal regulation (Goode 1960). Work attains professional status over the course of years,

> starting with the establishment of the activity as a full-time occupation, progressing through the establishment of training schools and university links, the formation of a professional organization, and the struggle to gain legal support for exclusion, and culminating with the formation of a formal code of ethics. (Roberts/Dietrich 1999: 990; Wilensky 1964)

Once established, professions confer status upon their members (Sandefur 2001; Kelley/Evans, 1993), distributing prestige in ways that create upward mobility crucial to the legitimation of inequality in achievement-oriented meritocratic societies. In this sense, professions can also play a conservative role in maintaining the stability of social structure. As shown in a large stream of research starting with Blau and Duncan (1967), individuals' position in the socio-economic order is shaped to a large degree by parents' occupational status, leading to the reproduction of inequalities over time. Labor market segregation lends further persistence to stratification through mechanisms such as stereotyping (Gorman 2005) and informal networks (Marsden/Gorman 1998).

However, the role of some professions in shaping the socio-economic status of *others* – that is, of those outside the professional's occupation or household – is rarely examined. Trust and estate planners pose interesting empirical questions for sociological theories of the relationship between the professions and stratification regimes because their work contributes to broader patterns of inequality. As the architects of large fortunes, they create structures to protect their clients' wealth from tax authorities, creditors, regulators and even spendthrift heirs.

To perform these tasks, these professionals require an unusual mix of skills, including mastery of finance and international laws as they relate to taxation, property rights, debt and testamentary freedom. Legally and financially, they design the asset-containment vehicles which allow "new" money to grow old; culturally and socio-emotionally, they are caretakers of family solidarity, charged with preserving a legacy which is more than financial (Beckert 2007a). These non-economic aspects of dynastic wealth require trust and estate planners to be astute psychologists and mediators, resolving disputes among family members and sometimes between the founders of a dynasty and their heirs.

In cases where the founder is deceased, these professionals assume the mantle of traditional authority by means of expertise and the powers conferred by the trust instrument – in other words, by virtue of rational-legal authority (Weber 1946a). This consolidates the power of hired experts over their rich and powerful clients, and thus establishes an enduring power base for the profession itself. In this way, the professionalization of trust and estate planners is reminiscent of Gouldner's (1979) account of the rise of "knowledge workers." Building on Durkheim's claim in *The Division of Labor in Society* (1933 [1893]) that occupations – including professional work – should be the standard unit of analysis in the study of modern industrial society, Gouldner argued that the development of knowledge work as a profession decisively altered the distribution of power envisioned by Marx (1978 [1848]): with the increasing mechanization (and computerization) of production, ownership meant little without cooperative experts to make the machines work; this gave experts the upper hand over their employers. This is, of course, not a new phenomenon: as Weber (1946b [1922]: 233) observed in one of his historical studies of bureaucracy, "[t]he treasury officials of the Persian Shah have made a secret doctrine of their budgetary art and even use secret script." But Gouldner argued that fundamentally new conditions in the world of work – specifically, the shift of economic power from industrial manufacturing to innovation in technology and services – put knowledge professions (of which trust and estate planning is surely one) on a permanently new footing in the twentieth century.

Like other professions, trust and estate planners define themselves through the use of jargon and procedures that are difficult to grasp without resort to formal training and qualification procedures. This is consistent with the process of professionalization in other realms: "Decades of research on the occupations and professions suggest that the professions have erected barriers to entry through certification requirements and other forms of closure" (Rotolo/McPherson 2001: 1115). These boundary-setting efforts are aided by monopoly power, since the group has only one professional society worldwide, and it alone retains authority to issue the TEP credential. STEP's success in this professionalization effort can be gauged not only by its large membership, but by the financial industry's acceptance of the STEP-issued credential as the international standard, on a par with the older and more established CPA (Certified Public Accountant) designation, created in 1896 (Flesher/Previts/Flesher 1996). As an illustration, Figure 1 shows a 2007

Figure 1 Classified advertisement


*Source:* Le Temps (newspaper Geneva, Switzerland), November 30, 2007.

classified advertisement from *Le Temps*, a leading newspaper in Geneva, Switzerland, whose text conveys the high status accorded to the TEP credential in one of the world centers of trust and estate planning activity.

## The intersection of professions and families

Social hierarchy depends to a significant degree on the transmission of material goods, especially within kinship groups (Weiner 1992; Marcus/Hall 1992). The retention of such goods within families over multiple generations is particularly critical in ensuring the stability of social structure, making the mechanisms and processes of transfer of particular interest to social scientists. Societies vary, of course, in the way they manage intergenerational transfers, but for contemporary global economic elites, this process is often directed by trust and estate professionals. The tools they use serve not only to protect the assets of wealthy clients, but to contain "ancestral objects" within structures that allow them to be transferred without leaving the family. This process, which has been called "the paradox of keeping-while-giving," means that "Possessions are given, yet not given. Some are kept within the same family for generations, with *retention not movement bestowing value*" (Weiner 1992: 3–4, emphasis added). It is precisely the task of trust and estate planners to accomplish this "keeping-while-giving" on behalf of their clients, thereby maintaining continuity both for the family they serve and in the larger social distribution of status, power and wealth.

Yet the quasi-familial position of trust and estate planning also raises questions about its development into a profession. If, as assumed in economics, the family is the paradigm of a high-trust situation for exchanges, while the market represents the low-trust extreme of the continuum (e.g., Ben-Porath 1980), the question arises: why would anyone hire professionals to play a lasting role in their family's financial affairs? While retaining legal counsel or consulting a financial adviser commonly leads to short-term relationships between professionals and clients, trust and estate planners are hired for the long term, often amounting to lifetime employment. Though they can be fired and replaced – on terms specified in the trust instrument and sometimes by the laws of their jurisdiction – they more often keep their job with a family long enough to work with two or more generations (Marcus/Hall 1992). Moreover, the legal parameters that define some asset-holding structures, like trusts, require the separation of ownership from benefit: so while the heirs to a trust may enjoy the income from dynastic wealth, the assets are legally owned by the trustee (see Beckert 2007a). Thus, the relationship between trust and estate planners and the families they serve goes beyond the norms of professional conduct as embodied even by a long-term family physician: while the doctor may be privy to highly-sensitive information about a family, she does not own the family's assets and control the purse strings as trust and estate planners do.

So why would a wealthy family, with a lot to lose reputationally and economically, make itself vulnerable by bringing a professional trust and estate planner into its midst? This question is especially pertinent to the new world of work, given that historically, the transfer of assets across generations has been handled as an internal family matter, or – when that was impossible or impractical – outsourced to friends and trusted business associates who worked without compensation. As Marcus notes in a study of dynastic wealth in pre-twentieth-century America, wealthy families kept their fortunes intact through "strategies of intermarriage and partnership to offset the fragmentation caused by the partible inheritance" (1983: 230). If those options were unavailable or impractical, they resorted to the medieval English practice of putting their assets in trust, where "[t]he trustees were kin of the testator, who had to depend on literal trust and community opinion to ensure that the trustees discharged their duties" (1983: 231). Through these relatively simple means, great dynastic fortunes in America (as well as in England and its other former colonies) endured for centuries, without the aid of professionals.

Such practices have remained the norm in the majority of intergenerational transfers well into the contemporary period. As C. Wright Mills wrote of the mid-twentieth-century "power elite," wealthy families found "many ways to … pass on to [their] children strategic positions in the apparatus of appropriation" through the exercise and transfer of corporate and political power (Mills 1956: 107). Mills would likely have been puzzled by the recourse of such elites to professional trustees or estate planners. As he saw it, wealth is self-perpetuating in that it "tends also to monopolize opportunities for getting 'great wealth'" (1956: 105): that is, the rich get richer (and can potentially turn the wealth of one generation into a dynasty) because their structural position in the hierarchy of economic and political power gives them privileged access to means of maintaining and increasing their wealth.

This view is very much in keeping with mainstream economic theories of the family. Of particular significance in this connection is the widely-accepted tenet that trust contributes to the overall efficiency of exchange by lowering transaction costs (Williamson 1981; Coase 1937). In essence, economic theory conceptualizes trust as an asset that, while not subject to trade, shapes the conditions (and prices) of other transactions:

> Trust is an important lubricant of the social system. It is extremely efficient; it saves a lot of trouble to have a fair degree of reliance on other people's word. Unfortunately this is not a commodity which can be bought very easily. *If you have to buy it, you already have some doubts about what you've bought* … It follows from these remarks that, from the point of view of efficiency as well as from the point of view of distributive justice, *something more than the market is called for*. (Arrow 1974: 23, emphasis added)

An important "something more" is the family, which is expected to have a significant advantage over market-based institutions (such as private banks or other for-profit entities) in transmitting accumulated surplus from one generation to the next.

Specifically, families can *enforce* trust (and thereby reliably enjoy the efficiencies attendant upon low transaction costs) by bundling intergenerational wealth transfers with other forms of exchange, such as human capital investments and care-giving. The economic perspective can be summarized as follows:

> Samuelson (1958) pointed out the inability of a market in pure loans to solve such problems of intertemporal transfers efficiently … The solution is a "social compact" whereby successive generations implicitly agree not to break the chain of giving and receiving … In effecting intertemporal transfers and transacting in contingent claims, the child-parent relationship has the potential advantage that it is reinforced by other transactions and activities.
> (Ben-Porath 1981: 15)

This system of multiple, mutually-reinforcing commitments can be sustained by the family's social environment in both large ways and small. At the macro-cultural level, the power of the family is etched deeply into the Judeo-Christian tradition, with "honor your father and mother" ranked fifth among the Ten Commandments, coming just after the laws pertaining to God and just before "thou shalt not kill." Historically, and even today in many parts of the world, "the family contract creates a collective social identity that affects the transactions of each member with people outside the family" (Ben-Porath 1981: 3). This means counting the family name and reputation as a form of wealth which could have economic and social value in transactions. But in the contemporary developed world, where individuals are less closely tied to their families, and families are less likely to be linked permanently to certain tracts of land or communities, monitoring becomes increasingly difficult and sanctioning through loss of reputation far less effective in enforcing inter-generational contracts.

These observations from economics on the intrinsic advantages of handling intergenerational wealth transfers within families underscore the puzzling aspects of the emergence of trust and estate planning as a profession. Not only does the involvement of professionals in the management of family wealth expose the family to non-trivial principal-agent problems (Jensen/Meckling 1976), but it would seem to cede the family's most compelling advantages in the economic realm. It is particularly ironic that this arrangement should delegate the ultimate responsibility for maintaining a family's culture to non-relatives – professionals who do not partake in the social identity and solidarity they are hired to preserve along with the fortune. As Beckert (2007b) points out, inheritance is not just a matter of money and law, and cannot be reduced to economic terms alone; it also involves the "generational transmission" of beliefs and cognition (Zucker 1977: 728). All the more reason to wonder at the professionalization and expansion of the trust and estate planning profession.

Of course, as Tolstoy observed, not all families are alike – particularly in their ability to enforce trust, and the methods which they employ to do so. Having laid out the *apparent* puzzle of some wealthy families' choice to hire an unrelated professional to manage their wealth transfers, it must also be acknowledged that the stylized portrayal of family relations as universally characterized by high trust and low transaction costs may elide differences that could account to some degree for the adoption of trust and estate planners as "inside outsiders" (Marcus 1992). The meaning and functioning of the family as a governance structure is an *empirical* question, and while addressing it fully goes beyond the scope of this paper, a note of caution is in order going forward.

On the one hand, family role expectations and relationships vary across history, geography, culture and class; on the other hand, the empirical research on families' relationships with trust and estate planners derives from a very small number of studies involving American families in the twentieth century. For example, the two studies which form the primary sources of information on this subject – those by Hall and Marcus – are based on a total of *three* families: the Rockefellers in the former case, and the Texas oil dynasties of the Kempners and Moodys in the latter. While Hall and Marcus went into admirable depth with archives and interviews, their conclusions cannot help but be limited by when and where their studies were conducted (Blumin 1993; Traube 1994). This leaves unresolved several important issues relevant to *this* study, such as: do trust and transaction costs within families change when they accumulate enough wealth to pass on to subsequent generations, and how do families change through the adoption of trust and estate planners as a component of their cultures and governance structures? These questions remain open for future research.

## Impact on stratification and the professions in the United States

Trust and estate planners perform their roles through the imposition of rational-legal bureaucratic forms upon the family – a social entity generally supposed to be governed by affection and duties of reciprocity. This collision of value-spheres makes it particularly surprising that "in capitalist society, a form of lineage and dynasty finds its strength in a mechanism that is defined by a rationality that appears alien to the mix of sentiments and self-interest which we think motivates family relations" (Marcus/Hall 1992: 71). The contradictions are left to be resolved in the person of the trust and estate planner, a human bridge spanning many great divides – not least the one between medieval and modern social orders, in which the family as the basic unit of organization has given way to corporate/bureaucratic forms.

As a result of this institutionalized transfer of power,

> families, tied to fortunes that they do not fully control, become complex, if not corporate, organizations of independent components. These complex "wholes" are, in turn, *dependent for their solidity and perpetuation on appropriate experts and legal artifice.*
> (Marcus/Hall 1992: 53, emphasis added)

Thus, one consequence of the professionalization of trust and estate planners has been a restructuring of some families along the kind of management versus ownership divide described by Berle and Means (1932). In fact, as discussed at greater length below, the trust and estate planning profession in America grew in parallel with and partly in consequence of the rise of merchant fortunes in the late nineteenth century. However, the ways in which merchant families underwent a parallel transformation has received less notice from social scientists.

The Rockefeller family was among the first to recognize this transformation. Their foresight was not entirely surprising, given that the family fortune was in part the result of innovative use of organizational structure in creating the Standard Oil empire. Transfer of these ideas from the management of business capital to the realm of inheritance ushered in one of the most significant leaps forward in the professionalization of trust and estate planning: the development of the "family office." This meant that instead of trust and estate planners working on a part-time basis for each of several families simultaneously, the Rockefellers hired a staff of trust and estate planners to work for them full-time, directing a team of other professionals, such as art historians to curate the family's collection of masterworks:

> The most fully developed model for the institutionalization of the great new fortunes was framed by John D. Rockefeller, who, in passing his wealth on to his descendants, pioneered the mechanisms that, while nominally allowing it to remain under the control of the family, placed it increasingly under the management of experts – lawyers, accountants, advisors and consultants. *Although a similar distinction between ownership and management had taken place in the older metropolitan elites, with the rise of family trustees and incorporated charities, in its earlier form the displacement of control had featured a collectivization of the resources of many families, whereas in the dynastic setting, it involved only the assets and activities of a single family,* usually structured around a "family office" that coordinated the management of investments, philanthropy and public relations. (Hall/Marcus 1998: 162, emphasis added)

In essence, the Rockefellers built their family wealth by increasing and formalizing – through the "family office" – the separation of management from control (Berle/Means 1932; see also Mizruchi 2004). Other families of fortune have since followed suit, adapting to the hegemony of the corporate form by turning themselves into quasi-corporate entities and giving over ownership of their assets (as well as execution of traditional family functions) to the rational-legal authority of professional trust and estate planners, employed full-time on the family's behalf.

Among the most significant changes brought about by this professionalization of trust and estate planning was its effect on the trajectory and composition of *other* professions. By taking on responsibilities that had historically been managed within families, trust and estate planners freed the sons and daughters of wealthy families to spend their time in other pursuits. As Hall observes, this multiplied the division of labor in society:

> The specialization of the management of family capital made possible the underwriting of non-business careers for the descendants of merchants; it was possible for such persons to be rich

> without having to bear any of the responsibilities of creating and maintaining wealth. In short, it is at this point that we begin to see the development of a *class* out of what had previously been a group of persons with common economic interests. (1973: 242)

On the one hand, the professionalization of trust and estate planning helped create the American "leisure class" (Veblen 1994 [1899]). Younger generations who had once been obliged to assume positions in the family business became "exempt" from a long list of economic concerns, including "thrift," "pecuniary stress," and "personal contact with industrial processes of any kind." This, in turn, reshaped the status order of the modern United States and altered the markers by which individuals could "know their place" within the system of socio-economic stratification. Whereas lack of employment was previously considered shameful, outsourcing the management of both the family business and the family fortune made it possible to argue by the end of the nineteenth century that "Leisure is honorable and becomes imperative partly because it shows exemption from ignoble labor" (Veblen 1994 [1899]: 112).

In addition to shaping the forms taken by the contemporary American class hierarchy, Marcus claims, the professionalization of trust and estate planning also led to the influx of highly-educated elites into professional employment and philanthropy. Those who were not interested in a life of "industrial exemption" were encouraged to take up law, medicine or education, "where they would perform cultural and charitable functions in society at large *without draining the family capital or seeking to interfere with its management*" (Marcus 1983: 238, emphasis added). This movement of human capital from private to public use had a dramatic effect on the status of the professions, as well as on their composition. Elites' investments in higher education for their sons (and to a lesser extent, daughters) had once paid off only in the context of ensuring the future prosperity of the family business; but once freed to turn their talents outward, the children of dynastic fortunes could contribute their skills and talents to forging a better society. In consequence,

> *the nature of the professions themselves changed.* For example, medicine was not previously a high-status occupation. As the sons of elite families became doctors and philanthropy created hospitals for them, the institutions of health and medicine became imbued with an ethic of public service … so the professionally active children of Boston families became metaphorical fiduciaries of the public order. (Marcus 1983: 238; emphasis added)

As an unintended consequence of the professionalization of trust and estate planning, the profession of medicine was also transformed from a low- to a high-status activity. While this change in the composition and status of some professions was in some respects a progressive, democratizing force, it also contributed to elite dominance of power and institutions. Among other things, as the new professional cohort of heirs to dynastic wealth rose to positions of leadership in their chosen fields, they assumed control of material resources vital to the social structure, such as banks, schools and hospitals. Others embarked on political careers, or established charitable foundations, which enabled them to command symbolic resources such as the definition of "common good" and "social problems."

Whose interests were being served? Nominally, that of the public, but while there was undoubtedly some genuine progressive value in these activities, they also served elites by perpetuating the socio-economic stratification to which they (and their families) owed their wealth and its attendant privileges.

> The philanthropic foundation … provided a framework in which beneficiaries of family trusts could themselves become private fiduciaries, not of family fortunes, but of the public order in general. *It was this ideological and structural expansion of the fiduciary role … that later gave a style to an otherwise difficult-to-define American Establishment.*
> (Marcus/Hall 1992: 69, emphasis added)

In a case of isomorphism within the professions (Jepperson 1991; see also Baron/Dobbin/Jennings 1986), heirs to dynastic fortunes modeled their behavior as nascent professionals in the public sphere after the relationships between their families and the fiduciaries who managed their fortunes. Thus, Marcus claims, trust and estate planners not only built the structures which allowed wealthy families to become enduring dynastic fortunes, but modeled the behaviors and ideology that eventually helped these elites enter professions themselves and consolidate their power. This implies that the current landscape of American socio-economic inequality, as well as the composition of the professions, owes much to the rise and activities of trust and estate planning as a profession.

However, the historical and regional limitations of Marcus' data bear repeating in this context: the unique combination of economic, legal, and even ethnic conditions that pertained in nineteenth century Boston don't provide much of a basis for generalization. In this light, it seems advisable to treat as provisional his conclusion that the professionalization of trust and estate planning provided the model for the American power elite, establishing their *modus operandi* or *habitus* (Bourdieu 1992). At the same time, to be fair to Marcus, he does not suggest – and we should not assume – that the motives of these sons and daughters of dynastic wealth were purely altruistic, or even beneficial to the societies they inhabited. The connections he draws between the changing composition and status of the professions, based on data from a narrowly bounded place and time, should be tested in other contexts, by future research.

## Professionals as fiduciaries

As trust and estate planning evolved from a voluntary activity to a fully-fledged profession which acts as the "ideological parent" of capitalist elites (Marcus/Hall 1992: 80), its members took on special obligations, even beyond the high standards ordinarily applied to the professions. That is because trust and estate planners are fiduciaries: an elite within the professional class, whose distinctiveness consists in a unique set of obligations to their clients. A fiduciary relationship arises only in special circumstances – namely, when a client cedes control of assets to a professional who undertakes to husband them for the client's benefit. Thus, lawyers or accountants are professionals, but do not become fiduciaries until they accept responsibilities such as the management of a client's investments or the acceptance of a director's position on a corporate board. The role of the fiduciary is a central element of common law, and is defined legally by a stricter standard of responsibility than that applied to other forms of professional conduct. For instance, the fiduciary is forbidden from profiting from client relationships, even to the extent of receiving payment for services rendered, unless and only to the extent specifically authorized by the principal. Fiduciaries are also required to avoid any conflict of interest, putting their clients' interest above their own in every case.

Honor, loyalty and discretion are so important to the profession that Marcus and Hall compare the role of the trust and estate planner to that of "the *consigliere* of Mafia families" (1992: 83). On the one hand, the analogy seems apt: *consiglieri* are "advisors and 'men of honour'… able to 'mind their own business,' that is, keep secrets" (Blok 2002: 110). Though *consiglieri* may have recourse to violence, while trust and estate planners do not, the two groups are measured against similar value criteria. Not only are those values of honor, loyalty and discretion enshrined in STEP's code of professional ethics,[2] they are the foundations of the private banking industry itself, and the basis for the historical dominance of places like Switzerland and Liechtenstein in catering to the financial service needs of wealth dynasties.

But trust and estate planners are quite unlike *consiglieri* in one vitally important way: as fiduciaries, they cannot profit from their role as advisers except in very limited ways, explicitly defined by the client. While *consiglieri* presumably enjoy generous compensation in return for their loyalty and silence, and can profit from opportunities which come their way in the line of duty, trust and estate planners do not and must not. In fact, according to the leading professional journal in the field, they earn startlingly little for their services: the UK-based *STEP Journal's* 2008 figures indicate that most accept just £1,000 to £2,000 per year to manage a family trust (Sternberg/Maslinski 2008: 28). Thus, in order to make a living, some trust and estate planners manage the finances of many different families. Still, this fee schedule compares poorly with the norms of the financial industry, but is consistent with the special obligations of fiduciaries.

Trust and estate planners are therefore in the strange position of being required to engage in their professional activities in the absence of the primary motivation for such activities, at least as theorized by economists: self-interest. All considerations of profit and advantage are to be viewed entirely in light of their benefit to the client. Trust and estate planning thus constitute a "service profession" in the most literal sense, arguably giving them as much in common with members of holy orders as with mafia *consiglieri*. Their fiduciary obligations mean that they are "required to become 'economically celibate:' barred from being beneficiaries under the trusts that they administered; barred

2 See <www.step.org/attach.pl/1079/4843/CodeofProfessionalConduct.pdf>, particularly paragraphs 6, 9 and 11.

from business activities which might vitiate their loyalties to the interests of the trusts" (Hall 1973: 282). In the modern socio-political order, where "economics has become the religion of our secular scientific civilization" and economists its "high priests" (Hart 1990: 138), this quasi-monastic order of fiduciaries completes the market's "colonization of the lifeworld" (Habermas 1985).

In practice, trust and estate planners' fiduciary duties consist of three distinct components: 1) the *investor* role, which is oriented primarily toward the trust document and the client's assets; 2) the *administrator* role, oriented toward maintenance of family solidarity through mechanisms such as financial distributions (particularly when the trust and estate planner has discretionary power over who gets what); and 3) the *guardian* role, oriented toward external challengers (such as regulators and creditors) against whom the client's assets must be protected. The range of skill demands is remarkably broad:

> [T]he fiduciary is an investor … the fiduciary is [also] a legal specialist and representative of his testator's plan. He literally realizes that plan for beneficiaries. He explains their rights and his duties in translating events in their lives into a calculus of legally regulated financial interests … In relation to the external society, the fiduciary consistently attends to the boundaries of wealth and regulation. (Marcus/Hall 1992: 57)

Each of the trust and estate planner's roles, and its connection to the emergence of the professional, is detailed below.

*The investor role*

As the legal owners of assets entrusted to them, trust and estate planners are obliged to manage those assets in the best financial interests of the beneficiaries, *according to the instructions set out in the trust instrument*, and within the limitations of applicable laws. This adherence and allegiance to the terms of the trust instrument is arguably the most important measure of a trust and estate planner's execution of fiduciary duty. The instrument, a lengthy legal document which sets out which assets are being put under the trust and estate planner's management and for whose benefit, usually contains provisions about how the assets should be invested (if liquid) or managed for profit (if they consist of a business or property). In addition, the laws of the jurisdiction provide general guidelines for exercising "prudence" and "care" in the management of clients' assets. Despite these constraints, fiduciaries retain a non-trivial degree of autonomy and responsibility, as suggested by the elaborate safeguards used to limit their liability for investment losses, ranging from "hold harmless" clauses in their contracts with clients, to "E&O" (errors and omissions) coverage, which is similar to physicians' malpractice insurance.

Autonomy in investment decision-making was an important step in the emergence of trust and estate planning as a profession. Until the mid-nineteenth century, and then only in Massachusetts, American fiduciaries had *no* investment discretion over the assets entrusted to them. The law treated them as the amateurs most of them were (as friends or relatives of the settlor), and in the case of liquid assets, restricted them to choosing from a menu of investment options considered "prudent" by the state courts and legislatures. But because of Massachusetts' unique concentration of "old money," it led the nation in innovating laws governing wealth, and in establishing trust and estate planning as a profession. Most significantly, the state Supreme Court's watershed decision in the *Harvard College v. Amory* case of 1830 represented the first time an American court of law "recognized trustees as a putative professional class," and in so doing, "established a clearer separation between the enjoyment of wealth and the management of wealth" (Marcus/Hall 1992: 64–65).

This became increasingly necessary as the nature of wealth itself changed, becoming more fungible than ever. Where great fortunes were once instantiated primarily in land holdings – rendered impartible through legal mechanisms such as entail and primogeniture (Beckert 2007b; see also Gunderson 1998) – industrialization and global trade created fortunes out of cash and financial instruments like stocks and bonds. Beginning at the end of the eighteenth century (and particularly in the American northeast, where land had not been tied up for generations in the hands of hereditary nobility or by plantation farming), trade in textiles, whaling, rum and slaves generated huge profits, and with it, the need for advice on the disposition of cash reserves greater than most families could spend in a generation. Thus, following the process described by Stinchcombe (1965), historical and technological change created the need for new kinds of experts. Or as Marcus put it in his study of Texas oil fortunes:

> [U]nder capitalism *an increased importance is accorded the fiduciary role precisely because wealth is an abstraction that constantly changes its form and is dependent on a coordinating human intermediary to perform these transformations.* When the corpus of dynastic wealth could be maintained in a concrete form, it was a fixed symbolic resource that gave content to a living tradition among family members themselves … It is no accident, then, that trusts should have developed in a center of burgeoning activity and structural change among merchants, who, unlike the landed gentry of Massachusetts and other states, created intangible wealth as capital, for which legal forms and rules had to be invented appropriate to its different uses.
> (Marcus/Hall 1992: 57–62, emphasis added)

In other words, the profession of trust and estate planning emerged concurrently with the transformation of capitalism itself. As wealth itself took on new forms, moving from land and other material property to merchant capital, the need for expert assistance in growing and maintaining wealth increased as well.

As family fortunes became more liquid, new institutions and opportunities for profit arose through investment offerings by banks and insurance companies. Experts were needed to seek out and vet these opportunities, and "trustees … served a critical role as mediators who funneled the wealth of private fortunes into key Boston financial institutions … complet[ing] the institutional integration of a stable capitalist class" (Marcus/Hall 1992: 65). This, in turn, created a critical mass of loan capital available to finance business ventures on a far larger scale than had been possible within the confines of the partnership model. By turning a family's money into capital, and generating profits that could be passed down to subsequent generations, trust and estate planners enacted the very process described by Marx in *Das Kapital* (1992 [1867]) as the "general formula for capital": $M \rightarrow C \rightarrow M^1$. This equation crystallized what Marx saw as a fundamental law of capitalism, in which M stood for an initial sum of money, C for capital (that initial sum money deployed in profit-making activity as opposed to sitting in one's pocket), and $M^1$ represented the initial sum plus profits from the capital investment.

This "general formula for capital" is also a neat summation of what trust and estate planners do, at least since the 1830 *Amory* decision granted them discretion to choose investment opportunities for their clients' money: that is, to turn accumulated cash into capital, and to measure their professional skills in part on the size of $M^1$. In this sense, one can link the origins of corporate power in the US – and many dynastic fortunes that arose from it – to the trustee-led capitalization of the American financial system in the mid-nineteenth century. By translating private fortunes into investments on an historically-unprecedented scale, the profession of trust and estate planning deserves some of the credit for creating the modern industrial-financial complex.

### *The administrator role*

Alexis de Tocqueville, observing the birth of American capitalism, wrote that money "circulates with inconceivable rapidity, and experience shows that it is rare to find two succeeding generations in full enjoyment of it" (1966 [1835]: 53). The challenge facing trust and estate planners in the midst of this rapid socio-economic transformation was to ensure that a family's money survived the "inconceivable rapidity" of its circulation through the investment cycle so that the intact capital (plus profits) endured to reach succeeding generations. In providing a stable environment for a family's assets, the trust and estate planner's role grew to include stabilizing the family organization *in the service of preserving its wealth.*

The need for increased administrative control of the family grew apace with the forces driving demand for investment advice. Specifically, the more fungible wealth became, the less control the owners had over it and their descendents. The future of an entailed property was assured by law; but with fortunes derived from merchant capital, anything could happen, including the destruction of the carefully accumulated wealth by taxation, spendthrift heirs, political upheaval and acts of God. Assets released from primogeniture and other mechanisms that once kept inherited wealth materially and symbolically embedded at the center of family life could no longer exert the force that bound previous generations to one another. Lacking a castle or an estate to lend them weight, the disembodied fortunes of merchant capital seemed powerless to prevent families from fragmenting as they aged generationally, risking the loss of group identity and status as well as capital. The relative importance of these assets is suggested by Weiner's observation that "[i]t was fame and honor, rather than pure economics, that [Adam] Smith recognized as the fundamental impetus for the pursuit of wealth" (1992: 36). As the dynamic of wealth changed, a need arose for a "governor" (in the mechanical sense) to maintain stability within the socio-economic system (Bateson 1972). In the American case, the solution was an "apparatus of restraint … governed by professional managers" (Marcus 92: 119).

The fiduciary role is indispensable in making the legal simulacrum of family structure, represented by legal entities such as trusts, credible and robust enough to endure over multiple generational transitions:

> The trust as a reified phenomenon, constructed by the work of the fiduciary, occupies, after the death of the family founder, the place of abstract patriarchal authority in a family, but *what family beneficiaries literally trust is not an object or person imbued with positive family values such as love, amity and warm feelings, but a cold, rational construct of wealth – the trust and its trustee* – that legitimates itself and gains confidence by transcending entirely the arena of family interests and emotions. (Marcus/Hall 1992: 70, emphasis added)

Thus, dynastic wealth in the modern era is not a naturally-occurring phenomenon – on the contrary, it persists despite a myriad of public policies and laws intended to prevent enduring structural inequality – but rather the result of administrative action by trust and estate planners. This leads to a remarkable concentration of power in the hands of the professionals, in conjunction with increasing dependence by the wealthy upon them. For beneficiaries of dynastic wealth, this means that trust and estate planners are not just professional service providers who send them money several times a year. Unlike a banker or a broker, a trust and estate planner stands in relation to beneficiaries as "the concrete human incarnation of this abstract functioning of law and money," as well as "the authoritative interpreter, in a legal and capitalist idiom, of a rich family's constitution and development" (Marcus/Hall 1992: 70). In cases where heirs to a family fortune are several generations removed from its founder, the professional – as the designated surrogate for the founder's traditional authority – may provide beneficiaries their only point of contact with their lineal identity.

This gives trust and estate planners the power to hold a family together, almost in spite of itself, and to confer a type of immortality upon the founder's legacy. As administrators, these professionals not only mediate relationships *among* family members, but – perhaps more importantly – *between* a family and its wealth. The result is not just a financial management strategy, but "a transcendent version of the family created and managed by the fiduciary" (Marcus/Hall 1992: 58). With this kind of professional intervention, the family can become a dynasty, whose structure is more enduring than can be created by tradition alone. Thus, as professional administrators, trust and estate planners sustain kinship structures that might otherwise disintegrate of their own accord by recreating endogenously the bonds that the family culture itself once generated from within.

*The guardian role*

As a result of the nineteenth-century court decisions that expanded their powers, trust and estate planners became increasingly visible in public life. By advising wealthy families on investment opportunities, for example, they garnered the attention and recognition of major financial, educational and cultural institutions. In this way, their influence spread beyond the families they served into the broader socio-economic environment they inhabited. In fact, the profession acquired such a high profile that by the early twentieth century, "Trusteeship was both a technique of organization and a basic vision of purpose, and as structure and ideology, it has been a pervasive element within wealthy family groups as well as within privately funded institutions" (Marcus/Hall 1992: 61).

At the same time, there was increasing political controversy surrounding the extreme inequality and concentration of economic power that developed in America beginning in the 1890s, and its possible anti-democratic effects. Eventually, this resulted in two developments that directly affected trust and estate planners along with the wealthy families they served: in 1913, the right of the federal government to collect income tax on a permanent basis was established by Constitutional Amendment; soon thereafter, in 1916, Congress created the country's first permanent estate tax regime. (Previously, both forms of tax had been collected by the federal government to raise emergency funds, as in wartime, but the practice was understood as temporary.) If a family didn't of its own accord go from "clogs to clogs" or "shirtsleeves to shirtsleeves" in three generations, the two new tax levies were there to help along the dissolution of any accumulated wealth that might have passed to lineal descendants. These developments in law and public policy dramatically increased the dependence of wealthy families upon the trust and estate planning profession:

> Whereas a dynastic family can be held together without strong family leadership, it cannot survive without a fiduciary, whose primary task is to organize generational transitions. These are drawn-out processes that are not limited to a brief span of time … As the family leader organizes family personnel, the fiduciary translates this organization into a financial structure. (Marcus 1992: 59, emphasis added)

Asset-holding structures like trusts protected dynastic wealth from much of the new tax burden by transferring legal ownership to the trustee while allowing the equity owners (usually the heirs to the family fortune) to enjoy the use and benefits of the assets. The professional trust and estate planner was then empowered to place the assets strategically, using expert knowledge of legal and financial systems to retain as much wealth as possible within the family.

In theory, the deployment of tax shelters and related asset-protection measures could be accomplished without professional intervention; and many people, historically as well as in the present, devise and execute their own plans for wealth preservation. However, when assets are complex (e.g., distributed over cash, securities, art and property) or are located in more than one country (and therefore subject to more than one taxation and regulatory regime), understanding and using the rules can be onerous. And the larger the fortune, the more there is at stake. Factor in that the rules often conflict, and change rapidly as jurisdictions compete for the custom of high net worth individuals and families, and the necessity of full-time professional management becomes apparent. As economic activity grows increasingly global in scope, it is likely that dynastic wealth will rely to an even greater extent on trust and estate planners to manage the intersection of the private world of the family with the complexities of international taxation and regulation.

## Implications for the study of professions and inequality

The study of trust and estate planning represents an opportunity to develop sociological theory at the interface of three major areas of inquiry in the discipline: the professions, the economy and the family. The sociology of the law and organizations are also implicated, since this research addresses the formal means of articulating the relationship between family and property, shedding light on how law "operates in the economy on an everyday basis" (Swedberg 2003: 30). In many modern democratic societies, dynastic fortunes would probably cease to exist absent the intervention and assistance of trust and estate planners. As we can observe in countries like the United States, extreme socio-economic inequality persists despite the abolition of traditional legal mechanisms for preserving and perpetuating dynastic wealth, and the enactment of new laws and policies specifically designed to prevent multi-generational concentration of resources. In the effort to explain the robustness of the American stratification system, research on the profession of trust and estate planning can provide valuable insight.

By deploying the legal, organizational, and financial tools that transform capital accumulations into dynastic fortunes, trust and estate planners play an important role in preserving the economic components of family wealth, along with their cultural and symbolic resources, such as social networks and reputation. These dynasties can literally become "pillars of society" – concentrations of power and privilege that lend stability to larger systems of stratificaion. Even in a society nominally committed to socio-economic mobility, families like the Rockefellers and Kennedys remain at the top of the class hierarchy well past the proverbial third-generation limit. When trust and estate planners help wealthy families transfer capital (economic, social and cultural) from one generation to the next, the social effects may be profound and far-reaching: influencing whom beneficiaries meet and marry, the professions they enter, as well as the organizations and institutions they create. Thus, through their influence on the composition and socio-economic activities of elites, trust and estate planners can contribute to patterns of stratification at the macro-level. Finally, as fiduciaries, Marcus suggests that these professionals have contributed to the "ideology of moral leadership" (1992: 78) needed to justify and sustain such extreme and enduring inequality in meritocratic, achievement-based societies.

Many of these claims and implications are difficult to evaluate because they stem from such a small dataset of archival and interview research on American families, often in historical and geographical circumstances which do not seem readily generalizable. In fact, this study is limited by the limited literature on which it is based. One of its goals, then, must be not only to synthesize that literature, but to provide a critical analysis that points out the issues on which new research is most needed.

Future research within the sociology of the professions could explore the modes and rhetorics of legitimation trust and estate planners have used under varying economic and social conditions to negotiate the public-private boundaries where their work takes place. Picking up on Marcus' claims about the profession serving as a role model for the American ruling class, new studies on trust and estate planners could compare the terms in which it and other elite professions have made their interests (or those of dynastic wealth) palatable to representatives of the public interest. Another theoretically interesting approach is suggested by earlier work on *changes* in the discourse of managerial control over labor from the Great Depression through the Reagan era (Barley/Kunda 1992); drawing on this model, future research could examine changes in the way that trust and estate planning has sought to legitimate itself and its clients' dynastic wealth in relation to larger concerns about socio-economic stratification and equality of opportunity. This is a particularly timely issue, because in the current global financial crisis, the profession faces significant challenges from the OECD, representing member nations who claim that trust and estate planners are helping their wealthiest citizens avoid paying their fair share of taxes. Sociological research could examine the strategies the profession is using to counter the perception of their work as aiding and abetting tax evasion, as well as money laundering and other illegal activity (Rawlings 2007).

This paper suggests future directions for other domains of sociological inquiry as well. Family sociologists, for example, might investigate the effects that professional management of their private wealth has on elite families. One line of reasoning would predict that inserting this bureaucratic element into kinship structures would have a corrosive effect, following the well-known argument that capitalism leaves "no other bond between man and man but crude self-interest and callous 'cash payment'" (Marx/Engels 1978 [1848]: 488). On the other hand, economists since Alfred Marshall in the late nineteenth century have argued that inheritance strengthens intergenerational ties, and empirical research has found a "strong positive correlation between parents' bequeathable wealth … and the number of visits that children paid parents" (Bernheim/Schleifer/Summers 1985: 1075; see also Dunn 1980); however, these studies did not control for professional management of the family's wealth, leaving open the question of trust and estate planners' effects on socio-emotional bonds among relatives.

Finally, the profession holds considerable interest for economic sociology through its power in the private distribution of resources. It would be valuable to explore how much discretion contemporary trust and estate planners have in allocating wealth: the extent to which they use that authority to make charitable distributions versus intergenerational transfers could have a significant effect on patterns of inequality. At the international level, the globalization of the profession raises questions about the generalizability of the American model: for example, future research could test whether the use of trust and estate planners was directly proportional to a nation's level of economic inequality. If so, we would expect developing countries, where concentrations of wealth are currently most extreme (Chotikapanich et al. 2007), to be the most active sites of professional activity for trust and estate planners – an implication supported by anecdotal evidence from the *STEP Journal*. It would appear that in the new world of global markets, the trust and estate planning profession remains both a consequence and a cause of socio-economic change under capitalism.

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