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Varieties of wealth: toward a comparative sociology of wealth inequality

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Abstract

Research on wealth inequality and wealth concentration has made much progress in establishing statistics on the distribution of private wealth, its historical development, and its components in a large set of countries. Yet, this research is less concerned with country-specific contexts that have an impact on the practical relevance of private wealth and its distribution. This article develops a framework for comparative research that is interested in this question. Starting from a typology that distinguishes six "capacities of wealth," it asserts that private assets can be more important, more powerful, or more tolerable, depending on the institutional regulation of the political economy, for example, limitations on private property rights, welfare state redistribution, the electoral system, and cultural patterns of wealth legitimation. Using the USA and Germany as exemplary cases, I show that such differences exist and are politically relevant and that investigating the practical significance of private wealth in different political economies would open up new research trajectories in wealth research.

Key words: inequality; institutions; property rights; wealth

JEL classification: P50

1. Introduction

Recent research on private wealth has shown significant differences in wealth inequality between countries.[1] Surprisingly, this research shows that with regard to wealth distribution OECD countries do not cluster along the lines familiar from comparative political economy

1 Private wealth includes all forms of privately owned assets of an individual or household, including real estate, financial wealth, ownership of businesses, valuable collector items and jewelry, less the value of all liabilities. It excludes public pension claims. To accurately measure the level of wealth inequality, studies often combine several data sources, such as administrative data, survey data and rich lists (Saez and Zucman 2020; Schröder et al., 2020; Shorrocks, Davies, and Lluberas 2021).

and comparative welfare state research (Semyonov and Lewin-Epstein 2013; Skopek, Buchholz, and Blossfeld 2014; Kus 2016; Cowell, Karagiannaki, and McKnight 2018; Leonard 2019; Pfeffer and Waitkus 2021). Countries with especially high wealth inequality include, besides the USA, also Germany, Norway, and Sweden, countries that stand far apart from each other in other socioeconomic measures, such as income inequality, welfare state expenditure, or labor law protection. At the same time, the UK and Australia, two liberal market economies, have significantly more egalitarian wealth distributions and group together with Spain and Italy.[2]

The observation that Germany and the USA—the two countries that form the paradigmatic opposite poles in the varieties of capitalism approach (Hall and Soskice 2001)—group together in terms of wealth distribution sits oddly with a plethora of research findings that emphasize differences in the political economies of the two countries. One possible response to this would be to dismiss the similarities in wealth distribution as an oddity with little significance in light of the overwhelming differences between the two countries. Another response is to focus on more nuanced differences in the actual wealth distribution, for instance, differences in the composition of wealth, the stronger relative wealth position of the upper middle class or the superrich, the changes in distributions when including pension wealth, or differences in recent developments in wealth inequality (Frick and Grabka 2009; Cowell, Karagiannaki, and McKnight 2018; Pfeffer and Waitkus 2021; Savage 2021: 146; Albers, Bartels, and Schularick 2022).

This article pursues a distinct path by looking closely at context-specific differences in the social and political *relevance* of private wealth related to institutional and cultural variances. What wealth distribution actually means sociologically and politically does not simply depend on distributions per se, but on a plethora of contextualizing factors, such as restrictions on property rights and the extensiveness of the welfare state (Cowell, Karagiannaki, and McKnight 2018; Manduca 2022).[3] I argue that wealth can be more or less *powerful*, more or less *important*, and more or less *tolerable*—depending on institutional and cultural contexts. These three characteristics of the variance of private wealth are inductively derived from the two countries being discussed in this article: the USA and Germany. In a broader comparative context, one would expect to enlarge the taxonomy to include "more or less *secure*" as an additional dimension. This would for instance be relevant in a study including Russia and China. Compared to liberal democracies, authoritarian regimes often have much weaker protection of property rights. Even though large private fortunes are in principle tolerated, the state retaliates against wealth owners whose behavior is seen as a threat to political rulers (see e.g. Dixit 2004; Xu 2023).

The different contexts in which wealth distributions are embedded not only impact the practical significance of wealth but also influence the supply and demand for political reform to redistribute wealth. Comparative and historical statistics on wealth distribution—which form the bulk of research on wealth concentration—can tell us relatively little as long as the institutional and cultural aspects critical for the practical significance of private wealth in a

2 The Gini coefficient for net wealth in the United States is 0.85, and for Germany 0.76. This compares for instance with a Gini coefficient for the UK of 0.62 and of 0.58 for Spain (Cowell, Karagiannaki, and McKnight 2018).

3 See also Kus (2016: 527), who identifies variation in the impact of wealth distribution between various contexts as one of the lacunae of wealth research.

given country are not carefully considered. The lack of attention to country specifics can also mislead wealth and elite research, which is often explicitly or implicitly informed by empirical findings from the USA that are uncritically assumed to also hold for other countries. Wealth research needs to pay more attention to country specifics to avoid such biases.[4]

To develop this argument I focus on Germany and the USA. These countries are chosen for their similarity in wealth distribution and their simultaneous categorical separation in typologies in comparative political economy (Esping-Andersen 1990; Hall and Soskice 2001). At the same time, the two countries only serve as illustrative cases for the general theoretical proposition to include differences in institutional and cultural contexts more strongly in research on private wealth. Future research could certainly refine the claims made in this article by choosing countries that are more different from the USA and Germany, especially by reaching beyond the OECD world.

I begin by elaborating on a taxonomy identifying six "capacities of wealth" that provides analytical categories through which the contextualizing of wealth inequality can be investigated systematically. I then show that these capacities are either relevant to different degrees in the two countries, restricted in different ways, or find different normative connotations. Private wealth is not of the same significance for the distribution of life chances and for political domination in Germany and the USA. In the presentation of differences between the USA and Germany, I also indicate that these differences can be subject to change. While the focus of the article is on showing how institutional variations lead to differences in the social significance of private wealth in two countries, I also speculate that such country-specific differences may help understanding of the different degrees of contestation over questions of wealth distribution by influencing political demand and supply for wealth distribution. In the last section, I argue that contextual differences have also implications for policy design. By going beyond statistically observed distributional differences and similarities, the article aims at "complicating" (Hirschman 1986) wealth research.

2. The significance of wealth and wealth distribution

What can private wealth accomplish? To explore the practical significance of private wealth, I start with the different roles of private wealth that have been discussed in sociological and economic research on wealth inequality (Deutschmann 1999; Simmel 1978; Keister 2005: 242; Waldenström 2017: 6; Hansen and Toft 2021; Savage 2021). In social stratification research, pointing to functions of wealth aims primarily at emphasizing its importance in relation to other measures of social inequality, such as income, education, and occupation (Blau and Duncan 1967; Erikson and Goldthorpe 1992; Volscho and Kelly 2012). The point pursued in this article is rather that distinguishing different roles of wealth helps in developing a more differentiated understanding of the social implications of wealth inequality and making sense of differences in political reactions to this inequality.

I call the different functions of wealth "capacities of wealth." This term is chosen carefully to express the key feature of private wealth, which becomes directly visible in the

4 Some recent research that has started to develop sensitivity to country specifics is Norton et al., 2014; Cousin, Khan, and Mears 2018; Cowell, Karagiannaki, and McKnight 2018; Pfeffer and Waitkus 2021; Manduca 2022. The argument made can of course also be extended to income or educational inequality.

German term for wealth, “Vermögen.” “Vermögen” means to be able to accomplish something. This captures the sociologically essential feature of private wealth, a point already stressed by Georg Simmel (1978; Deutschmann 1999). By enlarging the capacity for action, wealth enables its owners to do things they otherwise could not do. This capacity, however, has different dimensions, which are important to distinguish in order to understand what precisely private wealth can accomplish and for whom. The distinction between the six capacities of wealth and their specific weight for different levels of private wealth shows the practical implications of wealth stratification across the spectrum of wealth owners.[5]

What capacities does private wealth enlarge? (1) Wealth provides *security*. To own (liquid) assets means to have insurance against negative income shocks and to be able to develop more long-term orientations (Hecht and Summers 2021). (2) Wealth provides *opportunities*. Owning assets allows actors to, for instance, start a new enterprise, purchase education, or buy citizenship in another country. Therefore, wealth opens up opportunities that those without private assets do not have. (3) Wealth allows for *capital income*. By investing it (and not hoarding it as “treasure”), owners make their wealth a source for accumulating further capital through asset-based income and asset appreciation. From a certain threshold on, private wealth makes its owner independent from other sources of income, especially the labor market and state transfers, which is arguably the most important feature of private wealth for class formation in capitalism. (4) Wealth can be *bequeathed*. It can be passed on to the next generation, thus allowing benefits to be transferred across generations. By providing privileges to offspring, bequests stabilize the social position of wealth-owning families intergenerationally. (5) Wealth provides *social status* (Henretta and Campbell 1978). Georg Simmel (1978) observed that wealthy people enjoy a special “respectability” in society and described this as a “superadditum” to wealth. This status enhancement not only stems from the power associated with capital and lifestyle opportunities through high consumption expenditures, but also from the unspecified possibilities of the future use of wealth. (6) Finally, wealth provides personal, economic, and political *power*. The power of wealth is rooted in the wealth owner’s control over resources that can be used in economic, political, and social relationships to accomplish their will (Naidu 2018).

The distribution of wealth stratifies societies along the dimension of the actual availability of the six capacities to individuals. Looking at the quite similar distribution of wealth in Germany and the USA, one can see that roughly half of the population is excluded from any of the capacities of wealth (Table 1). Also for the upper middle of society, wealth has only limited effects, which are concentrated in the security and opportunity dimensions (Table 2). In the USA, for instance, even in the fourth quintile, households could compensate for the loss of income for a period of only 5.3 months by drawing on their wealth (Wolff 2017: 102).

The private wealth of the middle and upper middle class is primarily bound to the prime residence and to retirement funds (Adkins, Cooper, and Konings 2020). These assets can provide security in the housing market, may assure access to attractive labor market positions, and can be used at retirement. These assets have low liquidity. Opportunities stemming from the financing of expensive private education or from capital for investment to

5 The capacities identified are based on Frick and Grabka (2009) and Fessler and Schürz (2021) who speak of “functions of wealth”.

Table 1. Wealth distribution in Germany and the USA

	Lowest 50% (0–50%)	6th decile (51–60%)	7th decile (61–70%)	8th decile (71–80%)	9th decile (81–90%)	10th decile (91–99%)	Top 1%	Top 0.1%	Total
USA (adult population: 250 million; total wealth: 126 trillion USD in 2020)									
% of total worth	1.4	2.0	3.3	5.7	11.7	40.5	35.3	18.0	
Total amount of wealth	1.8 trillion	2.5 trillion	4.2 trillion	7.2 trillion	14.8 trillion	51.2 trillion	44.6 trillion	22.7 trillion	126 trillion
Mean wealth	14,000	101,000	167,000	288,000	591,000	2,300,000	17,800,000	91,000,000	505,000
Median									79,000
Germany (adult population: 68 million; total wealth: 18 trillion USD in 2020)									
% of total worth	2.5	3.5	5.9	10.0	15.3	33.8	29.1	20.4	
Total amount of wealth	0.5 trillion	0.6 trillion	1.0 trillion	1.8 trillion	2.8 trillion	6.2 trillion	5.3 trillion	3.7 trillion	18 trillion
Mean wealth	13,000	94,000	159,000	269,000	411,000	1,000,000	7,800,000	54,000,000	269,000
Median									65,000

Note: Values for the year 2020, financial figures in constant 2020 US dollar. The wealth share of the German top 0.1% (20.4%) is based on data from 2017.
Sources: Schröder et al. (2020), Credit Suisse (2021), and Saez and Zucman (2020). The calculations of the total amount and mean wealth of the top 0.1% for the USA are based on the wealth share provided by Saez and Zucman (2020). The calculations of the total amount and mean wealth of the top 0.1% for Germany are based on the wealth share provided by Schröder et al. (2020).

Table 2. The availability of the capacities of wealth for different wealth groups

Wealth decile	Bottom 50%	6th to 9th decile	90–99%	Top 1%	Top 0.001%
Components of wealth		1. PR	1. PR	1. BA	1. BA
		2. FA	2. FA	2. FA	2. FA
			3. BA	3. PR	3. PR
Availability of capacities of wealth					
Security	0	2	4	5	5
Opportunity	0	2	4	5	5
Income	0	1	2	4	5
Bequest	0	1	2	4	5
Status	0	1	2	4	5
Power	0	0	0	2	5

Scale from 0 to 5, where 0 means that the capacity is not available at all and 5 means that the capacity can be used to its fullest. This is a schematic depiction which does not yet differentiate between countries.
PR = prime residence; FA = financial assets; BA = business assets.

start a company are concentrated in the top decile of the wealth distribution with larger financial assets.

Income generation through capital investment is relevant as a substantial addition to earned income only for the top decile and especially for the top 1 per cent. Even for the 9 per cent following the top 1 per cent, income from capital gains makes up only 6 per cent of income in the USA (Keister 2014: 356; Goldstein and Tian 2020). The top 1 per cent holds more than 80 per cent of its wealth in the form of financial assets (Wolff 2017: 94), assets that are substantial enough (on average, 17.8 million US dollars in total wealth in the USA) to generate significant capital income. The average private wealth of the top 1 per cent is lower in absolute terms in Germany (about 7.8 million US dollars) but still allows for significant income from investment.[6]

As to bequests and gifts, some material significance may be attributed to transfers of several thousands or tens of thousands of dollars, which one finds in the middle of the distribution. These transfers may help stabilize a family's economic situation in terms of providing some security and opportunity. In the upper middle class, inheritances (or inter vivos gifts) start to be large enough to make a substantial material difference for the receiving family members. In Germany, close to 50 per cent of the total wealth bequeathed is concentrated in the top decile (Baresel et al., 2021). Given starkly rising housing prices, such substantial intergenerational transfers—which include inter vivos gifts—are increasingly a condition for young people to enter urban housing markets (Adkins, Cooper, and Konings 2021: 12) and to finance private tertiary education, which helps individuals to later attain a high social position through well-paid employment (Pfeffer and Killewald 2018). The top 0.1 per cent of wealth owners can bequeath their privileged social status to their children, even if these children are themselves unable or unwilling to generate income through work. For this group,

6 The threshold for entering the top 1 percent is about 4 million euros in Germany (see Albers, Bartels, and Schularick 2022).

wealth, when transferred to offspring, allows for social reproduction in the position of a rentier (Hansen and Toft 2021).

As to the capacity of wealth to confer social status, this is also concentrated among the top 10 per cent of wealth owners, who are, at least in the USA, mostly millionaires (Shorrocks, Davies, and Lluberas 2021: 20).[7] But again, it is a much smaller wealth elite, whose wealth is composed primarily of financial and business assets, that can engage in high-end consumption patterns and commands incomes from its assets that produce the largest social status effects. Luxury consumption, but also the possibility for philanthropic engagement (Collins, Flannery, and Hoxie 2018), participation in elite sports, or art collecting constitute a lifestyle and a personal public image that separate the wealthiest households from everybody else (Tait 2019).

Finally, the ability to convert assets into economic and political power is concentrated in the oligarchic elite commanding large business fortunes as their prime source of wealth. "A few hundred individuals now possess fortunes so vast that their wealth represents not so much private luxury as public power" (Grewal 2014: 640). According to Winters and Page's (2009: 736f) *wealth-based material power index*, the richest 1 per cent of Americans possess more than 100 times the power of the average member of the bottom 90 per cent, and the Forbes 400 wealthiest Americans hold 22,000 times the power of the average member of the lower 90 per cent.

Although the exact numbers for respective wealth capacities of household deciles (presented in Table 2) are no more than rough approximations, and not yet differentiated according to country variation, they indicate that only the top 10 per cent of the population can profit in significant ways from the capacities of private wealth beyond gaining some additional security and opportunities. If one focuses on the status and political power dimensions of wealth, these are reserved for a small wealth elite at the very top of the distribution. There is, however, a large group in the sixth to ninth deciles that Piketty (2014: 437) calls the "patrimonial middle class," whose members participate partially in the capacities that wealth offers, primarily through having better protection against negative income shocks, home ownership and resources to support the educational aspirations of their children.

The distribution of private assets can be turned into a typology of wealth ownership, comprising five social groups that differ in their access to the different capacities of wealth and enjoy increased social autonomy the higher they are positioned in the pyramid (see Figure 1)[8]:

(1) *The excluded*. This group encompasses the lowest 50 per cent of households, which possess no or only minimal private wealth.
(2) *The marginals*. This group, from the sixth to the ninth deciles, holds some wealth, mainly in the form of their primary residence. Members of the group gain some security and opportunities from their wealth.

7 According to the Credit Suisse *Global Wealth Report* (Shorrocks, Davies, and Lluberas 2021), 6.6 percent of the American population are dollar millionaires. The figure for Germany is estimated at 3.5 percent.

8 Adkins, Cooper, and Konings (2020: 63) also develop a class scheme based on asset ownership. Their scheme, however, focuses on housing assets.

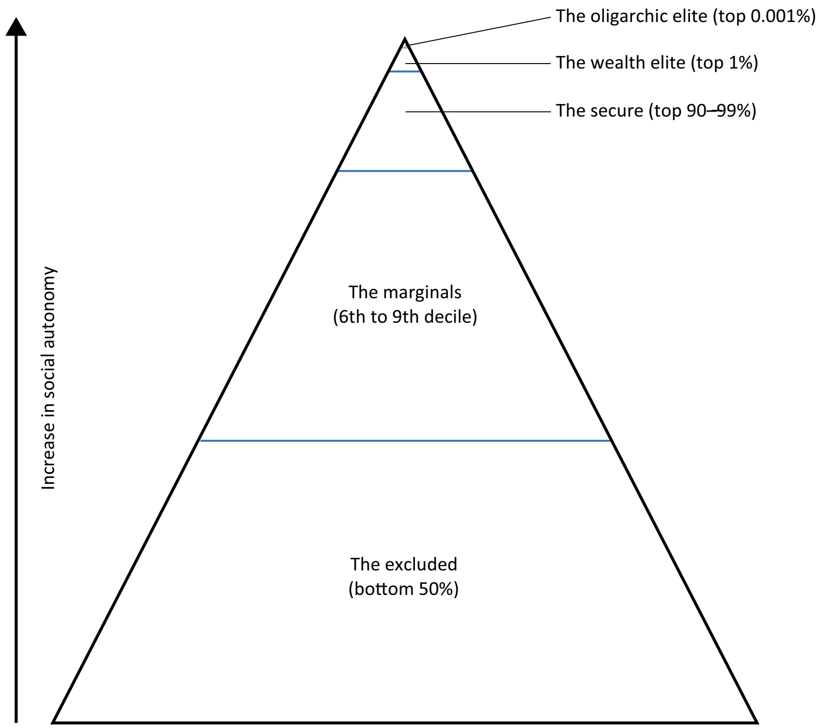

Figure 1. A social typology of wealth groups.

(3) *The secure*. Between the 90th and 99th percentiles, wealth generally makes available significant security and opportunities, contributes to income and thus makes possible higher consumption levels, and helps secure a privileged position for offspring. The mean wealth in this group is roughly ten times that of the population as a whole.

(4) *The wealth elite*. This group consists of the top 1 per cent of wealth owners, an elite that defines and defends its lifestyles and social status in significant ways through ownership of wealth and is largely independent from salaried income.

(5) *The oligarchic elite*. This is a tiny group of no more than several hundred people in any country who can exercise significant economic, ideological, and political power, through which they can secure their material interests and gain exceptionally privileged status positions (Beckert 2022).

Wealth inequality is relevant because it contributes to the unequal distribution of life chances. This point is uncontested and is reflected in the increasing attention given to private wealth and to economic elites in recent research on social inequality.[9] Different distributions

9 See as recent examples of the vastly expanding literature on wealth and elites: Harrington, 2016; Navidi 2017; Cousin, Khan, and Mears 2018; Shipman, Edmunds, and Turner 2018; Friedman and Laurison, 2019; Huber, Huo, and Stephens 2019; Christophers 2020; Beckert 2022; Bessière and Gollac 2023.

and differences in asset composition between countries point to stronger or weaker polarizations in the availability of the capacities of wealth in a society. The differences between societies, however, reach beyond distributional patterns.

3. The context of wealth

Not all wealth inequalities are the same. The "social roles that [wealth] plays may be very different in different countries" (Manduca 2022: 22). To understand the social and political relevance of wealth inequality, one needs to look at the institutional and cultural configurations within which the capacities of wealth unfold in the countries for which wealth inequality is measured.

Data on wealth distribution thus gain in sociological bearing when it is related to the economic, social, political, cultural, and legal contexts of the country observed. This context becomes relevant in dimensions such as property rights regulations, welfare state provisions, the rules of the electoral system, different cultural assessments of the normative problematic of wealth inequality, and through interactions with other inequality dimensions, especially income. Taking Germany and the USA as illustrative cases, I argue that similar wealth distributions can mean very different things in two countries and that this has implications for judging the relevance of an observed wealth distribution, as well as for policy making. In no country can context fully undo the significance of wealth, but context moderates its relevance. Whether the path toward a more equitable society needs to involve significant redistributions of private wealth thus depends also on the social context in which wealth inequalities are embedded. The probability of political action for the redistribution of wealth may also depend on these contexts of wealth if they shape demand for such policies or the level of resistance against wealth redistribution.

To develop this argument I return to the six capacities of wealth. I argue that each of the six capacities can be more or less *powerful*, more or less *important*, and more or less *tolerable*—depending on the social, political, and normative context (Figure 2). By more powerful I mean that wealth can do more because there are fewer institutional limitations on its use. By more important I mean that there are fewer provisions for compensating for a lack of private assets. And by more tolerable I mean that wealth inequality infringes less on the normative fabric of a society given its predominant patterns of legitimating social inequalities. I will show that there are significant differences in the weight of the different capacities of wealth between Germany and the USA in these three dimensions. Though the dimensions are not fully independent, they do point to different features of the impact of private wealth in different contexts.

3.1 Security

The security function of wealth dominates in lower wealth strata, for whom the other functions of wealth are entirely out of reach. For the *marginals* and especially for the *secure*, private assets can substitute to some extent for income losses experienced, for instance, during periods of unemployment or during retirement. The same holds for unexpected expenditures associated with unforeseen events such as sickness, leading to high health care expenditures, or the breakdown of a car, implying the loss of expensive private assets.

While such unexpected events occur everywhere, the importance of private assets to compensate for them varies. The more generous collective unemployment insurance or public

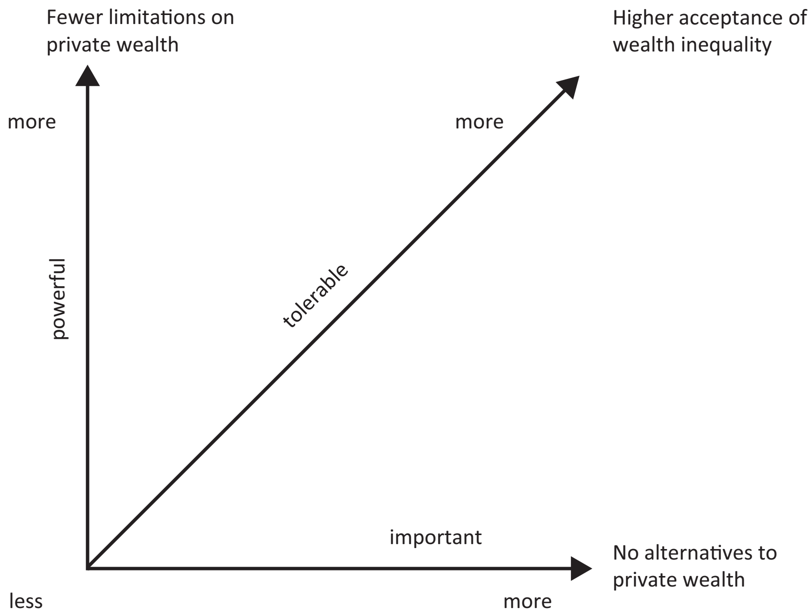

Figure 2. Dimensions of the capacities of wealth.

pension schemes are, the better the income shock will be compensated without the need for recourse to private assets. The more extensive health insurance coverage is, the less important private resources are for covering unexpected health care costs. The importance of the security function of wealth thus depends on the level of compensation through welfare state support, a proxy for which is the level of income inequality in a country. The significantly lower income inequality in Germany[10] indicates the lesser importance of private wealth in its capacity to provide security compared to the USA.

The German social security system provides superior insurance against financial risks stemming from unemployment, sickness, and retirement.[11] In the USA, income losses or sudden unexpected expenditures must be covered to a higher degree with private resources—or not at all. The pension system is based to a much larger extent on private financial assets (van der Zwan 2017). Unemployment benefits are more limited. There is a more frequent need for private coverage of health care costs. In this institutional context, possessing private wealth is a crucial precondition for protection against risks. If looked at longitudinally, the retreat of the state from welfare state redistribution makes private wealth more important (Shipman, Edmunds, and Turner 2018). This development has occurred in Germany and the USA over the last 30 years, but more strongly in the USA (Seeleib-Kaiser 2013).

For the property-owning middle class, the dominant asset is the main residence. This asset can contribute to the security and opportunity capacity of wealth in two ways. First, ownership of the main residence leads to higher housing security and economic well-being,

10 Gini coefficients for income inequality are 0.29 for Germany vs. 0.40 for the USA (OECD 2022).
11 It is worth mentioning that this system does not cover the group of self-employed in Germany (roughly 10 percent of the workforce), which relies much more on private assets to cover risks.

especially in cities with booming urban real estate markets (Adkins, Cooper, and Konings 2020). In the long run, home ownership may also lead to lower individual housing costs, which frees up income for other purposes. Second, home ownership allows the primary residence to be used as collateral for home equity loans through which actors can access liquid assets to use either to shield against negative income shocks or gain access to educational and entrepreneurial opportunities as well as higher consumption levels (Hotz et al. 2018). Rising house prices in urban conglomerates bring the security of home ownership increasingly out of reach even for the upper middle class, leading to rising tensions and a further increase in the importance of private wealth. Home ownership now increasingly presupposes the inheritance of significant sums of wealth.

Housing equity contributes significantly to wealth inequality (Pfeffer and Waitkus 2021). But the importance of home ownership again depends on social context. Private ownership of the main residence is more important when rent levels are increasing more rapidly than income in rising real estate markets, when renters are only weakly protected by tenancy law, when attractive housing stock is not offered on the rental market, when the primary residence can be easily financialized, and when being a tenant is seen culturally as reflecting lower social status. Again, comparing Germany with the USA, German law provides more extensive protection of tenants, low home ownership rates in the cities indicate that most urban housing stock is available for rent, and the financialization of housing property through home equity loans is less common. Whether one owns or rents the main residence is economically and socially less consequential than in the USA, making the possession of private assets invested in home ownership less important.

This, however, may currently be changing. Rent levels in urban centers have been increasing significantly in recent years in Germany and the sell-off of publicly owned housing stock in the early 2000s has exposed renters more to market forces. The marginals in terms of wealth possession (see Figure 1) reacted to this development by making efforts to own a residence only to find that even upper middle-class bidders tend to be priced out in internationalized and commodified urban real estate markets. As a consequence, the ability to afford home ownership has become—like in the USA—a politically charged issue in Germany (Baldenius, Kohl, and Schularick 2020).

3.2 Opportunity

In its second capacity, private wealth allows for investments that lead to opportunities for earning a higher income. Most important is the ability to gain access to educational opportunities. Entrepreneurial activity is a second kind of opportunity that becomes more easily accessible through private assets. Initial investments to start one's own business can be covered by private assets, or private assets can be used as collateral for credit. Private assets can also increase actors' risk propensity because failure has less severe consequences if there are private (family) resources to fall back on (Charles and Hurst 2003: 1156; Friedman and Laurison 2019, chapter 5). Wealth thus creates advantages in the struggle to gain lucrative income opportunities that require educational or capital investments.

Again, the importance and power of private wealth for capturing such opportunities depends on institutional context. If the public school system (state school in the UK context) is well-funded and has fair chances for entry, and if college education is publicly financed, access to highly qualified well-paying jobs depends ceteris paribus less on the investment of private parental assets for the education of their offspring. If business founders are supported by public programs that facilitate access to either credit or entrepreneurial knowledge, reliance on private assets becomes ceteris paribus less important.

Especially with regard to educational opportunities, the differences between Germany and the USA are clear. Germany provides more, and especially more evenly distributed, financial funding for its public schools. In the USA, because public schools are financed from locally raised property taxes, educational opportunities depend heavily on private wealth even within the public school system. Private schools, which provide the most privileged access to educational opportunities, are for the most part significantly more expensive in the USA compared to Germany, where tuition for private schools is mostly capped. Though these schools are socially selective also in Germany (Köppe 2012), they are not limited to the wealth elite and do not have the same importance for social status reproduction. Given the higher and more equal financing of public schools in Germany, the "need" to attend private schools or to live in expensive neighborhoods is less pressing. Such differences in the public school system are irrelevant for the wealth elite, which has the resources to opt out of the public system, but they are important for all wealth types below it, which depend on educational capital for status reproduction and enhancement (Bourdieu 1977).

In higher education, college in Germany is tuition free and also more egalitarian given the less hierarchical structure of universities. In the USA, college education involves major investments by parents (and grandparents) and often high student debt, making attendance of a good college more likely if parents have substantial resources that they can invest in their children's education (Shipman, Edmunds, and Turner 2018: 166 ff). Again, the possession of wealth to provide educational opportunities is more important in the American context compared to Germany.[12]

The difference between the two countries regarding the relevance of private wealth as a source of opportunities for founding companies that lead to large fortunes is more difficult to establish. In both countries, large fortunes are built from business ownership. If it holds that private assets are highly important in both countries for entrepreneurial success, this should show in the similar social backgrounds of the founders. Such comparative studies do not exist to the best of my knowledge. For the very top of the wealth distribution, however, it has been shown that about two-thirds of German billionaires have inherited their fortunes, while this holds for less than 30 per cent of American billionaires (Freund and Oliver 2016). But this in itself does not yet demonstrate that the self-made rich business owners in the USA and in Germany do not come from at least relatively wealthy family backgrounds. Kaplan and Rauh (2013) show that most self-made billionaires in the USA are descendants of wealthy families. Other studies show the relevance of family money for starting a company and the role of habitus in attracting money from private equity investors (Kanze et al., 2018; Kollmann et al., 2021). A predominant background of wealthy self-made entrepreneurs in the wealth elite and the secure groups would show the social closure of opportunities stemming from business ventures. Unfortunately, conclusive empirical evidence on this seems to be missing.

12 Despite the reduced role of private wealth in the German educational system, the German system has little social permeability. The difference to the American system is that outcomes depend less on the direct investment of private resources. Students are grouped at the age of 10 years in different school forms. Success in being admitted to a *Gymnasium* correlates with parental social position and the educational capital available in families (Solga and Dombrowski 2009).

3.3 Income

The third capacity of wealth is its ability to produce income. When wealth is invested, it is turned into capital and produces more wealth. In Marxist theory, this is clearly the most crucial capacity of private wealth, which is seen as the main dividing line in society. Capital income, if large enough, makes the owners of capital independent from the labor market and puts them in the position of a rentier (Christophers 2020).

The most important income-generating assets are financial investments, the ownership of companies, and rent-generating real estate. It holds for Germany and the USA alike that these rent-generating assets are highly concentrated in the hands of a small wealth elite (Cowell, Karagiannaki, and McKnight 2018; Schröder et al., 2020). In America, the wealthiest 1 per cent of households hold 80 per cent of its wealth in the form of financial assets (Wolff 2017: 94). In Germany, 76 per cent of the gross wealth of the top 1.5 per cent of wealthiest individuals is composed of financial and business assets. This compares to just under 30 per cent of financial and business wealth for the average wealth portfolio (Schröder et al., 2020: 320). Benefits from the capacity of wealth to generate income are thus largely limited to the wealth elite and the oligarchic elite, who contribute only modestly to income in the group of the secure (Keister 2014) and do not play a role for the wealth groups below.

Despite the similarity in ownership distribution of rent-generating assets, there are important institutional differences. Not only the question "who owns what?" is sociologically relevant but also "what can be done with it?", that is, the relative power of capital. How consequential is it in a specific society that financial assets are highly concentrated?

Typically, the largest fortunes are associated with ownership in companies that are controlled and frequently also managed by the owners. Of course, both countries have such family-owned large companies, but this ownership structure is clearly more central to the German economy (Berghoff and Köhler 2020). As a consequence, in Germany business assets contribute even more strongly to the level of wealth inequality compared to the USA (Pfeffer and Waitkus 2021: 584). This would lead one to assume that the polarizing consequences stemming from the ownership structure of business assets in Germany are more pronounced compared to the USA. This, however, is not the case, the explanation for which can be assumed to lie in the institutional contextualization of the firm. More often in Germany than in the USA, closely held companies have been managed by the same family for many generations and their investment involves social obligations to employees and a specific locality. This patriarchal German *Mittelstand* is seen as exercising its property rights with a sense of social responsibility toward its employees and its locations, and as having a generation-spanning investment horizon (Stamm 2013; Berghoff and Köhler 2020). The wealth is invested in a specific firm, capital is less impatient and it has less structural power because it is more locked in.

To the extent that wealth is locked in in a firm that is managed with a long-term investment horizon, based on an ethics of responsibility for employees and local communities, it becomes plausible that the private wealth concentration at the pinnacle is seen in society as less antagonistic to the interests of non-owners and therefore more tolerable. Stakeholders such as employees or local communities can see themselves aligned with the interests of the owners of capital, even though private wealth accumulates in the hands of the owning families. The strong role of the German *Mittelstand* contrasts with a much weaker position of closely held companies in the USA and a dominance of corporate governance structures that emphasize short-term profits (Lehrer and Celo 2016; EYGM Limited 2017; Berghoff and Köhler 2020).

A second relevant component is the institutional structure of industrial relations, which curtails owners' power also in public companies. Unions, the institutionalization of work councils and co-determination as well as the provisions of labor law effectively limit the power of owners by restricting property rights (Jäger, Noy, and Schoefer 2022). These institutional restrictions on property rights are stronger in Germany than in the USA. Less can be done with business wealth which thus becomes more tolerable.

This line of argument can be extended beyond the ownership of firms also to land ownership and real estate (beyond the main residence) as the other asset class is highly concentrated at the top. Tenants' legal rights are significantly stronger in Germany (Lundqvist 1986). Moreover, there are important legal limitations on the exclusion of non-owners from certain uses of privately owned land. While in the US private owners can restrict access to forest land, German law prohibits such exclusions in most cases (e.g. §14 German Federal Forestry Law). Such restrictions on the power of property rights contribute to making the concentration of real estate ownership less powerful, but also more tolerable.

However, the differences in the actual use of business assets may reflect a historical situation that has come into flux (Streeck 2009). The embedded capitalism of the German post-war order has been reformed during the past 30 years in ways that strengthen private property rights and weaken the moral commitments of capital owners. Recent disinvestments of several prominent owners of large family-run companies[13] might indicate that these firms are undergoing changes in their ownership structures that will loosen their ethical obligations toward employees and localities. In addition, large blocks of housing stock have been privatized during the past 20 years in Germany, which has increased pressure on rent levels. If the income-generating capital of the wealth elite is increasingly held in financial portfolios, without any long-term commitment to the needs of societal stakeholders, private wealth may become more powerful also in Germany.

3.4 Bequests

The legal institution of inheritance is the most important device for the intergenerational continuity of wealth stratification (Beckert 2008; Tait 2019; Hubmer, Krusell, and Smith 2020). The chance of inheriting and the amount of wealth that is inherited are strongly correlated with parental wealth (Szydlik 2004; Hertel and Groh-Samberg 2014; Hansen and Toft 2021). Inheritance stands in striking opposition to the normative principle of liberal societies that opportunities should be distributed according to merit.

Germany and the USA both have inheritance laws that allow property owners to pass on private assets to the next generation. Both legal systems provide instruments to lock in assets for many generations according to the will of the "dead hand" of the deceased owner (Dutta 2014; Tait 2019). In the American legal system, rules against perpetuity have effectively been terminated in recent decades (Beckert 2013; Harrington 2016; Tait 2019). Though there are differences between the two countries' inheritance laws, overall similarities

13 Recent examples are the shoe company Birkenstock, the construction machine builder Windhagen, the automobile parts company Hella, and the trailer-maker Caravans.

prevail.[14] Similarities are also dominant in estate taxation. Both countries levy a tax on bequests (inheritances in Germany),[15] but tax rates, tax exemptions, and tax loopholes prevent private wealth from being effectively redistributed through taxation at death.

To the extent that ownership of private assets is less important in Germany compared to the USA, this also extends to bequests and gifts. Public expenditures can substitute better for the security and opportunity functions of private wealth gained from intergenerational transfers. But the main difference in terms of intergenerational transfers is a normative one. Intergenerational transfer of wealth meets with higher tolerance in Germany. Since the early twentieth century, debates on the dynastic perpetuation of wealth have been significantly more pronounced and more conflictual in the USA than in Germany (Beckert 2008; Fraser 2015). While "self-made wealth" finds wide acceptance in American society, dynastic wealth is much less tolerated. The reasons for this are at least in part cultural. The opposition to dynastic wealth and the strong support for the liberal credo of equality of opportunity are among the sacred founding myths of American society. Defining itself in juxtaposition to European aristocratic societies, American society finds it much more difficult to come to terms with dynastic wealth than societies that have struck compromises with their aristocracies in long-lasting political struggles. This comes especially to the fore in moments when strong cultural beliefs in the possibility of upward social mobility and fair opportunity (the "American Dream") are confronted with widespread experiences of socio-economic stagnation or decline (Chetty et al., 2017). Wealth inequality and its intergenerational perpetuation are perceived differently where high growth dynamics and equitable distribution lead to upward social mobility for many, compared to a situation of increasing social closure (Savage 2021: 21).

Moreover, in America, strong wealth concentration has been understood since the Revolution as jeopardizing pluralist democracy (Beckert 2008; Starr 2019). Also from this normative background, great wealth transferred dynastically has been a vehemently contested issue throughout American history. Even wealth titans such as Andrew Carnegie—later followed by Bill Gates and Warren Buffett, among others—have looked disdainfully at inherited wealth and suggested that large fortunes should be spent for the general good *during* the wealth owner's lifetime. The obvious contradiction between the proclaimed normative identity of American society as a place of equal opportunity and political pluralism and the reality of highly concentrated (dynastic) wealth makes the bequest of large fortunes an exceedingly charged political issue (Phillips 2003; Sherman 2017). In recent years this conflict has become especially salient in controversies over the racial wealth gap to be explained by long-lasting legacies of racism and discrimination (Derenoncourt et al., 2022).

In contrast, evolving from a feudal and aristocratic past, with the nobility holding positions of high economic and political power well into the twentieth century and powerful conservative political forces connecting the power to bequeath with the stability of the family, modern Germany struck a political compromise as a result of which inherited wealth was much less the focus of political controversy (Beckert 2008). Fairness was not defined as

14 One important difference is that testamentary freedom is more restricted in German law, especially through the institution of a forced share for close kin (Beckert 2008).

15 In the USA, the tax is organized as an estate tax (taxing the estate before it is divided into the shares that individual heirs are entitled to), while Germany taxes the shares of individual heirs (inheritance tax).

equality of opportunity but rather as "social justice" as an outcome to be achieved through a strong welfare state. Even from a social reformist perspective, wealth concentration and the bequest of privilege are tolerable as long as the living standards and security of the propertyless social classes are elevated to a satisfactory level. The means for this is the welfare state, financed by progressive taxation, but not necessarily high inheritance or wealth taxes. Against this political backdrop, the capacity of wealth to be bequeathed and thus fortified intergenerationally appears more tolerable in the German political and cultural context than in that of the USA (McCall 2013; Beckert and Arndt 2017).

Again, this difference might be in flux. Marketization and individualization processes have exposed ascriptive inequalities to greater public scrutiny also in German political discourse, which has started to embrace the normative principle of equality of opportunity more strongly. On the other hand, market-oriented reforms during the last 30 years have increased the importance of private assets for individual security and opportunities. Controversies over dynastic wealth may thus become more prominent in the future also in Germany (Haan 2022).

3.5 Social status

Already Georg Simmel (1978) pointed to the status effects of wealth ownership. Wealthy people have a higher chance of being listened to, they enjoy favors that are withheld from others and they are offered opportunities that others are not. At the micro level, wealth creates a hierarchy in social interactions, allowing wealthy persons to derive higher levels of emotional energy from social interactions (Collins 1987). Such effects become more pronounced with the person's wealth level and are concentrated among the wealth elite.

While the capacity of wealth to create social status holds for the German and the American wealth elite alike, there are nevertheless remarkable differences that contribute to a different tolerance for wealth concentration. First, there are differences in the public display of wealth. Wealth in America is showcased much more by means of conspicuous consumption. This stands in contrast to many of the wealthiest German families, who are known for their often relatively modest consumption styles, and their efforts to hide their wealth from public view.[16] This reduces attention to large fortunes. While such restraint certainly also holds for parts of the wealth elite in the USA (Sherman 2017), the overall impression is that of a much more blatant showcasing of wealth in America. Paradoxically, the prominent role of philanthropy in the USA is an additional element of this display, because multimillion-dollar mega-gifts serve not just the general good but also as demonstration devices for the unimaginable wealth of the donor. Like the potlatch described by Marcel Mauss (1954), philanthropy is a means of gaining social status. Mega-gifts produce a "form of charismatic authority" that grants the donors an "almost sacred status" (McGoey and Thiel 2018: 120). Such public disposals of high-end wealth are less common in Germany, partly because of the much stronger role of the state in financing the public good, but also because of institutional differences for the regulation of philanthropy.

16 Though this needs to be looked at in more nuance. Stamm (2023) recently showed that rich entrepreneurial families in Germany can be sorted into different types. The type she calls "venture owners" engages more prominently into conspicuous consumption which is otherwise associated with the American super-rich.

In addition, in American society, positions in the middle of society are less secure, due to the less developed welfare state, making private wealth a more dominant pathway to stabilizing social status. Due to weaker social protection, the "fear of falling" (Ehrenreich 1989) experienced by Americans extends even into the group of the wealth elite (Sherman 2017). Differences in the stability and by extension also in the "dignity" (Lamont 2000) of the middle class find their statistical expression also in the more compressed income distribution in Germany.

3.6 Political power

Finally, for the actors at the pinnacle of wealth distribution, the oligarchic elite, wealth creates political and social *power* (Winters 2011; Page, Seawright, and Lacombe 2019). The power of wealth stems from the wealth owners' control over resources that can be used to enforce their will. Oligarchic wealth makes it possible to shape the political landscape of accumulation by influencing the very rules from which fortunes are built and maintained (for example, see Leonard 2019 on the Koch brothers). But the political leverage that high wealth effectively provides depends also on prevailing institutional factors. The political power of wealth varies with regulations of property law, the organization of industrial relations, and structural conditions that are associated with the availability of exit options. Its instrumental power varies with the regulations and practices of the political system (Hacker and Pierson 2010). Prominent ways to exercise instrumental power through private assets are campaign financing, the lobbying of legislative bodies, and the influencing of public opinion, for instance through the financing of think tanks.

While it is hardly possible to establish empirically the relative political power of the oligarchic elite in different countries, there are indications that the institutional structure of the American political system allows for more potent forms of political influence by this group (Scarrow 2007). In the American electoral system, especially after the Citizens United ruling in 2010, it became possible for the oligarchic elite to pour practically unlimited amounts of money into campaigns. While the actual impact of large donations on political outcomes is subject to intense debate, it is clear that American campaign finance laws provide institutional pathways for the power of wealth (Dawood 2015). The social composition of Congress moreover shows that being wealthy is almost a precondition for holding high public office.[17] While German members of parliament also have social backgrounds that are non-representative of the population, they are comparatively less likely to be members of the wealth elite (Hartmann 2013; Elsässer and Schäfer 2022). Moreover, to a far greater extent than in Germany, American philanthropic foundations and think tanks use the fortunes of the oligarchic elite to influence public opinion in accordance with donors' interests (Callahan 2018; Collins, Flannery, and Hoxie 2018; Leonard 2019; Gricevic, Schulz-Sandhof, and Schupp 2020). Already the quantitative differences are striking: In the US charitable donations reached over 400 billion dollars in 2017 (Collins, Flannery, and Hoxie 2018). This compares with about 12 billion dollars in charitable donations in Germany, a

17 The webpage opensecrets.org reports that in 2018 (the latest year reported) 230 out of the 433 members of Congress had assets of over one million dollars. These assets do not include the value of the prime residence. See: https://www.opensecrets.org/personal-finances/top-net-worth?year=2018. Griffin and Anewalt-Remsburg (2013) show the impact of the private wealth of members of Congress on their voting behavior in the effort to repeal the estate tax.

country with about one-fifth of the GDP of the USA (Gricevic, Schulz-Sandhof, and Schupp 2020). These oligarchic practices in the USA play out within the normative context of a strong belief in equal opportunity and long-held convictions of the dangers stemming from concentrated wealth for pluralist democracy (Beckert 2008), thus leading to profound political tensions. In contrast, in Germany, the role of private wealth in election campaigns is much more limited, and philanthropy is less important, not least due to the stronger role of the state in the financing of public goods and the organization of public debate, for instance, through publicly funded media and foundations that are linked to political parties and operate with public money.

4. Conclusion

Private wealth is distributed highly unevenly. The USA and Germany stand out as two countries in which wealth is particularly concentrated. Both countries have comparable Gini coefficients in their distributions of private wealth. But looking at differences in the importance, power, and legitimacy of private wealth points to significant institutional and cultural differences that are relevant for understanding the role of wealth inequality in the two countries. In Germany, private wealth and its concentration at the top seems to be less important, bestows less power, and meets at least in its dynastic dimension with more tolerance compared to the USA. It is less important because security and opportunity are provided to a larger extent collectively through public investment and welfare state provision. For the middle and upper middle classes, life chances and security depend to a lesser degree on ownership of private assets. Private wealth bestows less power because property rights are more restricted, and there are greater constraints on spending private wealth to influence political decisions and public opinion. The dynastic perpetuation of private wealth is at the same time tolerated more willingly, because norms of equal opportunity are—for historical reasons—less pronounced than in the USA. Furthermore, because wealth is displayed less ostentatiously in Germany, it also infringes less on the dignity of lower social classes.

This leads to the interesting counterintuitive result that wealth inequality can actually be more acceptable and less controversial in a society that is more collectively oriented, that is, one that gives a stronger redistributive role to the state. While one would assume that such a society would advocate especially strongly for less pronounced wealth inequalities, it also holds that the existing wealth inequalities are less harmful to individual life chances because security needs are satisfied and opportunities are provided by public means and because the use of wealth finds cultural and legal restrictions. Institutional and cultural provisions compensate for private wealth inequalities, limit their impact, and legitimate wealth differences.

Under these conditions, demand for wealth redistribution becomes less pressing.[18] In the USA, the higher demand for wealth redistribution reflects the greater significance of wealth in the dimensions mentioned. For instance, demands for "baby bonds," a "stake" for all members of society when they reach legal maturity or compensation for historical group discrimination by provisioning a capital stock for group members are much more prevalent in the USA compared to Germany (Ackerman and Alstott 1999; Grözinger, Maschke, and Offe 2006; Hamilton and Darity 2010). And also not by chance, social protest movements

18 In line with this a recent OECD study shows that demand for redistribution is lower in countries that are less unequal (OECD 2021).

and intellectual debates in the USA target much more the super-rich, whose amassment of riches is seen as being directly detrimental to the life chances of everybody else and to the democratic political process. At the same time, the greater political power of the wealth elite prevents actual redistribution, because supply-side resistance is stronger. Wealth inequalities in both countries are entrenched, but they are so for different reasons.[19]

This has interesting political implications. The wealth elite of a country might be better off—at least in the sense of living in a calmer political space—in a society that enforces restrictions on property rights and assures society broader security and opportunities by means of public provision, and refrains from using private wealth in ways that bruise the dignity of the less wealthy members of society. In a society with such "beneficial constraints" (Streeck 1997) wealth inequalities become less an object of social conflict.[20] Wealth research would be well-advised to focus more on such country differences in the practical significance of private wealth: they are politically relevant and may also contribute to the explanation of differences in the amount of private wealth accumulated and its distribution (Cowell, Karagiannaki, and McKnight 2018; Manduca 2022). These are strong reasons for comparative research on wealth inequality and for extending empirical work beyond the USA and the UK, the two countries that dominate much of this research to date.

Differences in the significance of private wealth must not necessarily be stable over time. Given the integration of countries in the international political economy and global cultural shifts, countries are not self-reproducing containers. The German case indicates a development where private wealth might become more controversial. The expansion of markets into hitherto more shielded social realms has reduced collectively provided security and opportunities also in Germany and made private wealth more important, while at the same time potentially making the high concentration of wealth at the top less tolerable. Indications of this include the fact that the liberalization of urban housing markets during the past 20 years has made ownership of the main residence both more desirable and less achievable. Not coincidentally, urban housing issues have become highly salient in German political discourse in recent years (Baldenius, Kohl, and Schularick 2020). In this debate, the advantages of family heritage and bequests play an important role because they are seen as mechanisms of unfair social advantage (Moor and Friedman 2021). A second development can be observed in the market for corporate control. Increasing global competition has led a number of families in the German wealth elite to sell their closely held companies and invest their assets in more flexible investment portfolios with fewer social obligations. To the extent that these are not just individual cases but represent a general trend, this may undermine the traditionally high legitimacy of capital-owning families in Germany, subjecting legal stipulations favorable to them to more political scrutiny. Finally, cultural shifts toward individualization may bring normative changes that favor individualistic equal opportunity norms over norms that focus on equitable social outcomes (Piore 2003; Beckert 2006; Mijs 2019). This may, for instance, increase political pressure for levying more effective inheritance taxes or a wealth tax. The pressures for liberalization thus may have unintended consequences that bring issues surrounding the distribution of private capital more into the foreground of social contestation also in societies in which institutional arrangements and cultural norms

19 I would like to thank Benjamin Braun for pointing this out.

20 At the same time the German wealth elite may pay a price for this social calm which is reflected in the lower wealth share of the top one percent (see Table 1). See also Naidu (2018: 112).

have kept them at bay so far. To study such historical shifts in connection with general changes in the political economy in detail seems to be an important task of a comparative sociology of wealth inequality. A fruitful conceptual tool for this would be the notion of "drift," that is, attention to the effects that follow from secular economic changes when changes in policy regimes fail to keep up with them (Hacker, Pierson, and Thelen 2015).

Beyond the two cases discussed, this article shows the usefulness of comparative research on wealth inequality that goes beyond establishing statistical differences in the concentration of wealth and its historical development. Distinguishing between the different capacities of wealth and systematically looking at the power, importance and normative toleration of private wealth and its concentration offer an analytical framework that can be applied to different contexts and in country comparisons.

While data on actual wealth concentration and explanations of country differences in wealth inequality are highly important, researchers are well-advised to also investigate the social and political implications of private wealth in specific institutional and cultural configurations. It can be assumed for instance that similar arguments to those made here for Germany can be made for the Scandinavian countries, which also show high levels of wealth inequality within the context of strong outcome-oriented orientations (Cowell, Karagiannaki, and McKnight 2018; Manduca 2022). The scope of this research, however, should be enlarged also by bringing in countries like Russia and China, where private wealth is less secure. And by bringing in countries in the periphery of the world system, further research could establish the relevance of the respective position of a country in the international political economy for the power private wealth can gain in a country. Increased sensitivity to context could thus establish more firmly that there are varieties of wealth that go beyond diverging distributional patterns.

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