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Stability in Intergenerational Wealth Transmission Levels in Germany

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Abstract

Intergenerational wealth transmission in Germany remained stable between 1988 and 2017, with an intergenerational rank-rank correlation (IRRC) of 0.265. IRRCs are also stable across gender and birth cohorts in the offspring generation. Higher parental education is associated with greater economic mobility. The decomposition of the IRRC provides evidence that the transmission of wealth plays a role beyond income and education. On a wealth-based version of the Great Gatsby curve, the level of intergenerational wealth transmission places Germany in the middle range.

JEL Code: J62

Keywords: Intergenerational Correlation in Wealth, Wealth Inequality, SOEP

Significance statement: This research advances our understanding of the mechanisms that reinforce or mitigate the unequal distribution of wealth, facilitates the development of evidence-based strategies for sustainable wealth preservation, and provides critical insights to inform policies that promote greater equity and social justice.

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1 Introduction

The Buddenbrook family, portrayed in Thomas Mann's literary masterpiece of the same name, which chronicles the rise and eventual fall of a family in the city of Lübeck, Germany, is a compelling example of intergenerational wealth transmission and the risks and challenges of preserving wealth across generations (Mann, 1901). Johann Buddenbrook and his father, the family patriarch, establish the family's wealth as merchants. Thomas, Johann's eldest son, inherits the family business and struggles with the tension between tradition and innovation. Thomas' journey highlights the challenges heirs face as they navigate changing economic and social landscapes and internal family dynamics. In contrast, Christian, Thomas' younger brother, demonstrates the potential risks of intergenerational wealth transmission. Tempted by a carefree lifestyle, he squanders the family's resources. Thomas' sister Tony and son Hanno struggle with their privilege and the expectations placed upon them as the next generation's stewards. Finally, having lost most of their wealth and status, the Buddenbrook family is left destitute.

The Buddenbrooks and their saga remain a concrete backdrop for the importance of studying the intergenerational transmission of wealth today. Does the story of upward and downward wealth mobility across generations experienced by the Buddenbrook family provide an accurate representation of intergenerational wealth transmission? How strong is the actual reproduction of wealth in contemporary societies? Has this process changed over time, and are there cross-country differences?

In most rich societies around the world, wealth inequality is at historically high levels (Grabka, 2015; Lersch et al., 2021; Pfeffer and Waitkus, 2021; Piketty, 2014). Intergenerational processes of wealth reproduction are central to understanding this rise in inequality (Fagereng et al., 2021; Piketty and Zucman, 2015). These intergenerational processes can be driven by direct and indirect transfers (Morelli et al., 2021; Nekoei and Seim, 2023; Nolan et al., 2021; Pfeffer and Waitkus, 2021). The degree of intergenerational similarity is thus often taken as an indicator of opportunities for the offspring generation (Black et al., 2020; Fagereng et al., 2021; Pfeffer and Killewald, 2018).

However, especially compared to the rich literature on the intergenerational transmission of income advantages and disadvantages, empirical evidence on the intergenerational transmission of wealth is only beginning to emerge. It is currently only

available for less than a dozen countries (see Lersch et al., 2023 for a recent overview). This shortage of results has mainly been driven by data limitations.

The current study addresses this gap and presents the first results on the intergenerational transmission of wealth in Germany, one of the world's leading economies. In particular, the study contributes the first estimates of rank-rank correlations in (directly observed) individual net wealth between parents and their offspring in Germany. The data allows us to contrast two time periods, 1988–2002 and 2002–2017, in order to analyze potential changes over time. We further analyze if there is heterogeneity in the pattern of wealth transmission by presenting our results separately by gender, by birth cohort, and by parental education levels.

Germany is a compelling country to study. Germany has high wealth inequality which increased between the early 1990s and peaked in 2008, followed by a slight decline and a relatively stable period since 2012 (see Figure SI.1 in the appendix). Overall, it has the third highest level of wealth inequality among the Eurozone countries while having lower median net wealth than other Eurozone nations. One reason is the extensive welfare state, which reduces the need for private provision. Inheritance and gift taxes exist, but many transfers fall below the taxable threshold. Above the threshold, tax rates range from 7–30% for larger transfers to children, while business transfers are rarely taxed. Notably, Germany suspended its wealth tax in 1998. The absence of a wealth tax in Germany means we have to rely on survey data since there is no administrative wealth data.

In sum, the existing empirical evidence on the intergenerational transmission of wealth shows some similarities with the evidence on the intergenerational transmission of income (Black and Devereux, 2011; Corak, 2013a; Jäntti and Jenkins, 2015; Solon, 1999). We find particularly high levels of transmission (low mobility) in the US and Italy and comparatively lower levels in Denmark and Norway. However, other countries, such as Sweden and France, appear at different ends of the mobility scale compared to the income case, highlighting the need to analyze wealth mobility (see Figure 1 and Table SI.1 in the appendix).

We find the rank-rank correlation in individual net wealth in Germany to be relatively stable over time. For the period 1988–2002, we estimate a correlation of 0.26, and for

2002−2017, our estimate is 0.24, which places Germany in the middle of the international ranking. Rank-rank correlations are also very persistent across gender and birth cohorts. While higher parental education is associated with higher mobility in the offspring generation, a substantial correlation in ranks persists even after controlling for parental income and education.

2 Data and estimation strategy

2.1 Data and sample

Administrative data on wealth is not available in Germany due to the absence of a wealth tax. High-quality survey data is needed to analyse wealth mobility and inequality. The analysis of intergenerational transmissions places high demands on such survey data, as information must be available for a very long period. Ideally, the data should also provide direct observations for both generations, parents and their offspring.

The German Socio-economic Panel (SOEP) is ideally suited for this type of analysis (we rely on SOEP-Core.v37eu, see Schröder et al., 2020 for a description). The SOEP is a nationally representative annual household survey in Germany. Data collection began in 1984 and is still ongoing. In the latest wave, the SOEP includes 19,000 households and about 35,000 individuals (including children who are not actively participating in the survey). The offspring are surveyed for the first time at the age of 14 and are then followed up even after they have left the parental household, which allows us to use directly and non-contemporarily observed information for both generations.

For our analysis, we rely on newly processed wealth data that was already collected in 1988 as part of the German Socio-Economic Panel Study (SOEP).[1] As this data has only recently been harmonized with the more recent wealth observations in the SOEP (Longmuir and Grabka, 2024), it has not previously been used for the analysis of intergenerational wealth transmission. Together with the more recent data collections in 2002, 2007, 2012,

[1] In the 1988 SOEP wave, wealth was only observed at the household level. In addition, wealth components were collected in bins. We follow the procedure developed in Longmuir and Grabka (2024) to impute continuous information on aggregated net worth at the household level.

and 2017, this allows us to cover a period of three decades (1988−2017) of German data that could not be analyzed before.

Since intergenerational processes unfold slowly, we are interested in developments over time. Thus, we choose two equally long time windows between the observation of parents and their offspring. In particular, we are able to compare mobility patterns between parents' wealth in 1988 and their offspring's situation in 2002, and between parents' wealth in 2002 and their offspring's situation in 2017. By construction, the early sample (1988-2002) includes only families from West Germany, and the more recent sample (2002-2017) includes families from both East and West Germany.

Analytical sample. From this full sample of individual wealth observations, we construct our analytical sample according to the following restrictions. First, individuals are included if at least one parent (or child) is identified and observed in the SOEP data. To be included, parents must have a valid wealth observation in either 1988 or 2002 (or both), and children must have a valid wealth observation in either 2002 or 2017. We count a wealth observation as a valid observation if the individual is between the ages of 30 and 55 in that year (see section 4 for a discussion). In addition, we require that parent-child pairs have non-missing information on key control variables (sex, age, age of parents, and age of child). This results in a working sample of 1,535 parent-child pairs (535 in the early window and 1,000 in the later time window).

Wealth measures. The SOEP covers a wide range of topics and background information. Most important for our analysis is the wealth information available in the data. The more recent waves of the SOEP contain detailed measures of individual wealth and indebtedness that have already been harmonized for the 2002, 2007, 2012, and 2017 waves.[2]

Our focus in the *offspring generation* is on *individual net wealth* to best cover the individual outcome of the offspring. Individual wealth is defined as all assets that individuals (solely and jointly) own. The sum of all household members' individual wealth is their household wealth. Individual net wealth is calculated as individual gross wealth, i.e., the sum of all assets owned by an individual, including real and financial assets, life insurance, private pension plans, business assets and other tangible assets, less personal debts and

[2] Although the SOEP data compares well with other wealth data for Germany, wealth - especially at the top of the distribution - is still underestimated (Grabka and Westermaier, 2015). This underestimation is a problem common to most wealth surveys.

loans. Respondents may have negative net wealth. For the *parent generation*, we focus on *household net wealth* rather than individual measures of parental wealth in order to best capture the economic situation in which the children grew up.

Table 1 Descriptive statistics of parent generations

Variable	Full sample	Parents only	Add age restriction	Analytical sample
1988				
Average age parents	48.42	38.22	40.13	47.76
SD	15.00	8.26	5.85	5.54
Univ. entrance cert.	0.17	0.18	0.20	0.13
SD	0.38	0.39	0.40	0.34
Net wealth	200,720	191,357	210,284	265,154
SD	387,803	434,340	455,795	498,442
Wealth rank	50.00	49.86	53.03	59.73
SD	28.87	29.56	29.38	27.18
N	3,112	1,520	1,107	535
2002				
Average age parents	51.08	39.29	39.88	48.86
SD	14.67	6.74	5.15	5.37
Univ. entrance cert.	0.20	0.22	0.23	0.20
SD	0.40	0.41	0.42	0.40
Net wealth	252,234	214,125	231,076	299,467
SD	827,712	494,098	507,682	1,294,724
Wealth rank	50.00	44.00	46.45	51.65
SD	28.87	28.33	28.01	26.96
N	8,046	3,197	2,731	1,000

Note: own calculations based on SOEP v37. Descriptives show shares/mean values from the restricted sample vs. all parents in the sample. All estimates are on the household level, referring to the household head.

For the following analysis, we use the available wealth observations to calculate the rank of individuals in the wealth distribution of their respective generations. We then analyze similarity or change in rank as a measure of transmission or resemblance.[3]

Further controls. We include a number of control variables in our estimations. All models include age controls for both generations (measured as age in the year of the wealth observation) and a gender indicator if not estimated separately for sons and daughters. To operationalize the socio-economic status of the parental household, we later use an indicator for whether or not at least one parent has a high school diploma or equivalent, and the income rank of the parental household (within the parental generation).

Table 1 provides an overview of the key descriptive characteristics of the analytical sample and the sampling procedure described, with a particular focus on the parent generation. As we would expect, the sample of parents is not a random sample of the full population. Comparing the last column with the first, we see that our sample of parents is about the same age as the full sample, but has a higher average level of wealth. This is true for both time windows (1988 and 2002), although the differences are smaller for the more recent period.

2.2 Estimation method

Our primary measure of intergenerational transmission is the rank-rank correlation measured in a linear intergenerational model. Specifically, we estimate

$$w^c_{r,t} = \beta w^p_{r,t-1} + \gamma X + \varepsilon_{r,t} \tag{1}$$

with $w^c_{r,t}$ being the wealth rank of child *c* from family *r* (either from 2002 or 2017) and $w^p_{r,t-1}$ the associated wealth rank of the parents *p* (either from 1988 or 2002). *X* includes controls for parental age and age squared (provided for mother and father), child's age and age squared and in further analysis an indicator for the later period (2002−2017), a gender control and controls for parental education. $\varepsilon_{r,t}$ denotes the error term. Our parameter of interest is β which denotes the intergenerational rank-rank correlation (IRRC) in wealth.

[3] We compute ranks based on the entire population rather than within the estimation sample, following the procedure in Black et al. (2020). To deal with zero values (or draws), we follow the procedure in Boserup et al. (2017) and add a small random term to the wealth observation.

3 Results

3.1 Intergenerational rank-rank correlations of wealth in Germany

We begin the discussion of our results by looking at our full sample, in which we have pooled the two time periods. In the pooled sample we find an IRRC of 0.265. This means that, on average, a one-rank increase in the parental wealth position is associated with an increase in the offspring's rank by about a quarter of a rank (Table 2, column 1). This estimate remains fairly stable even after including indicators for gender (Table 2, column 2), parental education (Table 2, column 3), and an indicator to separate the early and later periods (Table 2, column 4). Finally, including age controls for both generations also reduces the estimate only slightly to 0.240 (Table 2, column 5).

Table 2 Intergenerational rank-rank correlations of wealth in Germany

	(1)	(2)	(3)	(4)	(5)
Parental rank	**0.265*** **	**0.264*** **	**0.258*** **	**0.263*** **	**0.240*** **
se	(0.024)	(0.024)	(0.025)	(0.025)	(0.024)
Female		-0.911	-0.953	-1.282	-0.730
se		(1.273)	(1.273)	(1.269)	(1.249)
Univ. entrance cert. (par.)			2.969**	1.825	3.664**
se			(1.508)	(1.539)	(1.518)
Sample 2002-2017				3.673***	1.351
se				(1.301)	(1.329)
Age Controls					X
Constant	29.829***	30.305***	30.006***	28.287***	-17.682
se	(1.579)	(1.710)	(1.704)	(1.813)	(16.042)
Observations	*1,535*	*1,535*	*1,535*	*1,535*	*1,535*

Note: own calculations based on SOEP v37; Dependent variable: individual's net wealth rank; Standard errors in parentheses; * p<0.10, ** p<0.05, *** p<0.01.

Where does this result place Germany in an international comparison? Existing empirical evidence on the intergenerational transmission of wealth covers Japan (Kubota, 2017), Australia (Siminski and Yu, 2022), Denmark (Boserup et al., 2017), France (Arrondel, 2009), Taiwan (Chu et al., 2019), Italy (Acciari et al., 2021), South Korea (Ma, 2016), Norway (Black et al., 2020; Fagereng et al., 2021), the United States (Charles and Hurst, 2003; Gregg and Kanabar, 2022; Pfeffer and Killewald, 2018), and Sweden (Black et al., 2020).

Figure 1 The Great Gatsby Curve in Wealth

Source: own illustration. See Table SI.1 in the appendix for the detailed estimates.

Figure 1 provides an overview of the existing empirical evidence on the intergenerational transmission of wealth (see Table SI.1 in the appendix for more details). On the vertical axis, we plot the intergenerational wealth correlation, with higher values indicating less mobility or more transmission. On the horizontal axis, we plot the level of wealth inequality as measured by the Gini coefficient, with higher values indicating greater wealth inequality. This type of visualization, known as the Great Gatsby curve (Corak, 2013b), has become popular in the literature on intergenerational income mobility. We are

the first to plot the existing estimates of intergenerational wealth correlations against the level of wealth inequality in each country.[4]

Overall, we find a positive correlation between wealth inequality and wealth immobility, a picture similar to that for income. The slope of the linear fit in Figure 1 is 0.46. While Germany is roughly in the middle of the curve, the US, for example, is at the immobile/high inequality end of the scale. Notably, we also find that Sweden is quite comparable to the US in this respect, which contrasts sharply with the lower level of income transmission typically found in Sweden. Intergenerational wealth mobility in Germany is comparable to Norway and Australia and lower than in Denmark, France, and South Korea, but higher than in Japan, Italy, Sweden, the US, and Taiwan, while at the same time wealth inequality in Germany is higher than in all included countries except the US and Sweden.

3.2 Intergenerational rank-rank correlations of wealth in Germany over time

Next, we take advantage of the long time window available in our data and analyze the two time periods separately. First, the estimated IRRC is remarkably stable over the two periods considered. When we include an indicator for the later period in our model and interact it with the measure of parental wealth rank, neither the indicator nor the interaction term is statistically significant. This is a striking result, given that the period considered, 1988–2017, includes major institutional events such as German reunification.

[4] Note that it would be preferable if all the estimates shown in Figure 1 were based on the same data limitations and conceptual choices. Unfortunately, this is not the case, so we include from each study the estimate that is most comparable to our estimates for Germany. See Table SI.1 in the appendix for details on the included papers.

Figure 2 Average Rank of Children by Parental Rank and cohort

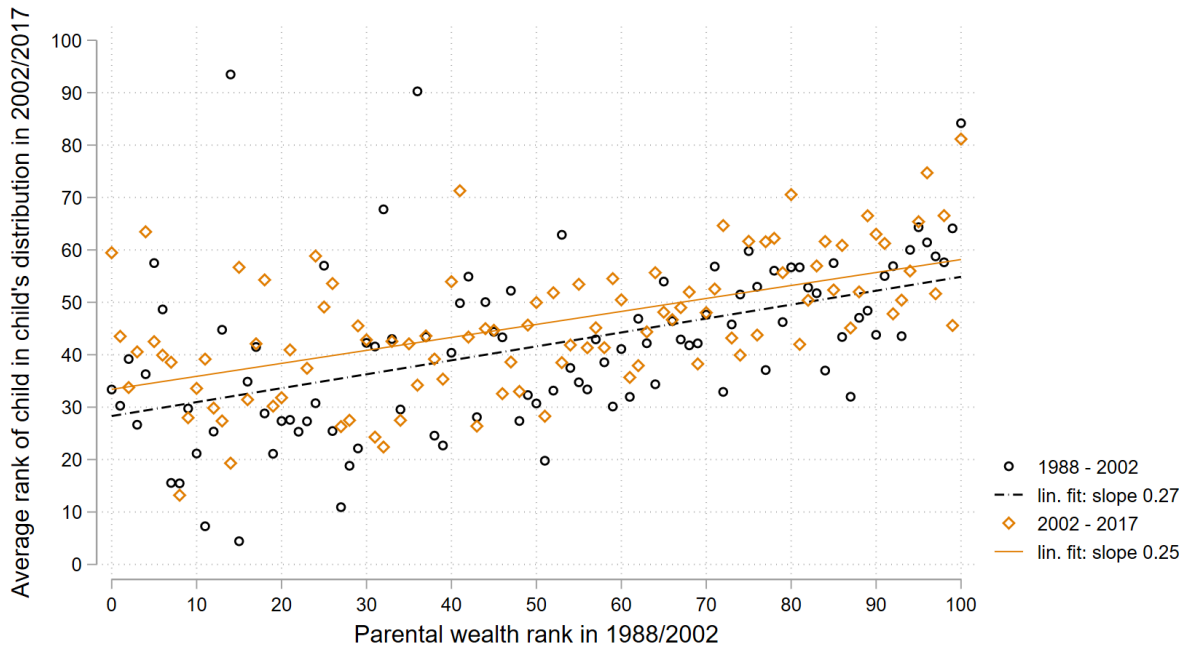


Figure 2 visualizes this finding using mobility curves (Aaberge and Mogstad, 2014; Chetty et al., 2014), which plot the average wealth rank of children for each parental wealth rank for both periods along with a linear fit through these data points. Mobility curves are a useful extension of the estimates presented above because they provide a detailed, distributional perspective on intergenerational mobility by capturing how mobility varies across the entire parental wealth distribution, rather than summarizing it with a single average measure. In contrast to the linearity assumption of OLS, mobility curves can reveal nonlinearities and heterogeneous patterns, providing a more complete understanding of the anatomy of the intergenerational transmission process.

Again, both periods show very similar results, with slopes of these mobility curves of 0.27 and 0.25. There is no evidence of nonlinearities in the transmission process along the distribution of parental wealth. The latter is supported by Figure SI.2 in the appendix (based on the pooled sample), which shows that the share of individuals who remain in the same quintile of the wealth distribution as their parents does not show any pronounced peaks at

the top or bottom. In contrast, the share of stayers is highest in the middle of the wealth distribution.

Table 3 Intergenerational rank-rank correlations of wealth (incl. interaction terms)

	(1)	(2)	(3)	(4)	(5)
Parental rank	**0.265*** **	**0.296*** **	**0.316*** **	**0.317*** **	**0.278*** **
se	(0.024)	(0.034)	(0.036)	(0.041)	(0.040)
Female		3.130	3.149	2.896	2.324
se		(3.161)	(3.150)	(3.139)	(3.013)
Female X Parental rank		-0.067	-0.067	-0.068	-0.050
se		(0.048)	(0.048)	(0.048)	(0.046)
Univ. entrance cert. (par.)			12.615***	11.061**	11.967***
se			(4.404)	(4.515)	(4.269)
Univ. entrance cert. (par.) X Parental rank			-0.143**	-0.136**	-0.123**
se			(0.063)	(0.065)	(0.061)
Sample 2002-2017				3.166	0.157
se				(3.245)	(3.110)
Sample 2002-2017 X Parental rank				0.006	0.018
se				(0.049)	(0.047)
Age Controls					X
Constant	29.829***	28.306***	26.498***	25.059***	-17.732
se	(1.579)	(2.272)	(2.323)	(2.710)	(16.074)
Observations	*1,535*	*1,535*	*1,535*	*1,535*	*1,535*

Note: own calculations based on SOEP v37; Dependent variable: individual's net wealth rank; Standard errors in parentheses; * p<0.10, ** p<0.05, *** p<0.01.

The stable level of intergenerational transmission over both periods also has a methodological advantage, allowing us to use the (larger) pooled sample in the following subgroup analyses.

3.3 Intergenerational rank-rank correlations of wealth in Germany by subgroups

The intergenerational transmission of wealth in Germany is not only relatively stable over time, but it is also remarkably similar for sons and daughters. Column 2 of Table 3 presents the results of a model that includes the gender indicator and an interaction term. Neither the interaction term nor the gender indicator are statistically significant. Figure SI.3 in the appendix visualizes this again using mobility curves, showing the average wealth rank of the children for each parental wealth rank separately for sons and daughters, along with a linear fit through these points. Again, both sons and daughters show very similar results, with slopes of these mobility curves of 0.27 and 0.28, and again, we find no evidence of non-linearities at the extremes.

In Figure SI.4 we have broken down the (pooled) sample by birth cohort of the offspring. Again, in line with our findings above, we find that the IRRC has - considering sample variability - has remained essentially stable over time in Germany, with estimates ranging from 0.226 (1973–1977 birth cohorts) to 0.257 (1983–1987 birth cohorts).

In column 3 of Table 3, we split the sample according to parental education. In particular, we compare children from families in which at least one parent has a university entrance qualification with children from families in which neither parent has a university entrance qualification. Here, we find a significant negative interaction effect, which remains significant even when age controls and sample indicators are included along with the interaction. That is, the association between parental wealth position and offspring wealth position is weaker for individuals with highly educated parents, or in other words, intergenerational wealth mobility is higher for children of highly educated parents.

Figure SI.5 in the appendix shows the associated mobility curves. The slope for families with parents with no university entrance certificate is 0.29, compared with a slope of 0.17 for families with at least one parent with a university entrance certificate. It can also be seen that, as expected - even with the high volatility of the survey data - the average (expected) ranks of children from highly educated families are higher than those of children

with low educated parents. The result of a flatter slope (meaning higher mobility) is thus driven by higher expected wealth ranks, particularly for children of highly educated parents at the lower end of the parental wealth distribution.

Table SI.2 in the appendix reports an interesting related result. The estimated IRRC is lower for children from highly educated families, but when we divide the sample by median income instead, wealth transmission is actually stronger for children from families whose parents had above-median income, indicating higher wealth transmission for this group. This finding underscores that income, education, and wealth, while correlated, are individually important markers of a family's socioeconomic status (Hällsten and Thaning, 2022).

Finally, in columns 4 and 5 of Table 3, we add an indicator for the period along with an interaction term, and, consistent with the findings above, neither the indicator nor the interaction term turns out to be significant. Again, there is no evidence of differences between the periods examined.

3.4 Intergenerational rank-rank correlations of wealth and parental socioeconomic background

In Table 4, we assess the importance of standard measures of parental socioeconomic background for the IRRC of wealth and contrast these results with the income case. In columns 1-3 of the top panel, we report coefficient estimates from separate regressions with offspring's wealth rank as the dependent variable and parental net wealth (column 1), parental net income (column 2), and parental education (column 3) as explanatory variables. Columns 4 and 5 present results from regressions in which the explanatory variables are combined. The bottom panel repeats this approach but uses the offspring's rank in the income distribution. All regressions include the complete set of additional controls discussed above.

Table 4 Intergenerational rank-rank correlations of wealth and measures of parental socioeconomic background

	(1)	(2)	(3)	(4)	(5)
DV: Individual Wealth Rank					
Parental Net Wealth	**0.25*** **			**0.20*** **	**0.20*** **
se	(0.024)			(0.025)	(0.026)
Parental Net Income		0.23***		0.15***	0.14***
se		(0.026)		(0.028)	(0.029)
Parental Education			6.36***		1.81
se			(1.53)		(1.59)
Controls	Yes	Yes	Yes	Yes	Yes
N	*1,535*	*1,535*	*1,535*	*1,535*	*1,535*
DV: Individual Income Rank					
Parental Net Wealth	**0.18*** **			**0.11*** **	**0.11*** **
se	(0.025)			(0.026)	(0.026)
Parental Net Income		0.22***		0.17***	0.16***
se		(0.027)		(0.028)	(0.029)
Parental Education			7.23***		3.26*
se			(1.687)		(1.740)
Controls	Yes	Yes	Yes	Yes	Yes
N	*1,492*	*1,492*	*1,492*	*1,492*	*1,492*

Note: own calculations based on SOEP v37;
Standard errors in parentheses; * p<0.10, ** p<0.05, *** p<0.01.

The results show that controlling for parental income and education reduces the IRRC in wealth from 0.25 to 0.20, which is a reduction of about 20%. In comparison, the IRRC

in income reduces from 0.22 to 0.16, which is a 27% reduction. Taken together, these results show that the transmission of wealth plays a role beyond parental income and education.

3.5 Intergenerational rank-rank correlations of wealth and offspring characteristics

We test the robustness of our results by splitting the sample by offspring characteristics. The results are shown in Table 5. We begin by repeating the analysis by gender. The results in Table 5 again show very similar estimates of the IRRC for sons and daughters. This confirms the results from the partly interacted model and the inspection of the respective mobility curves above.

Next, we split the sample by region of Germany (East and West). Since we do not observe parents in East Germany in 1988, we can only perform this analysis for the later period. The results show that while West Germany has an IRRC estimate of 0.25, the estimate for East Germany is lower (0.15), indicating a weaker association of offspring wealth with parental wealth. A possible explanation for this could be that wealth accumulation was less possible in East Germany before reunification than in West Germany, which prevented the formation and establishment of family trajectories in terms of wealth.

Since inheritances or bequests are a way of directly transferring wealth across generations, we further split the sample by whether individuals had received a substantial gift or inheritance in the past,[5] and finally by whether they were self-employed or not. However, for both indicators the sample is very unevenly distributed, leaving one category with a very small sample size and thus an imprecise estimate. If we were to interpret the results, the higher IRRC estimate for the self-employed would be in line with expectations, as business capital is another potential avenue for direct intergenerational wealth transfer. However, this is not clear for the difference between individuals who received a gift/inheritance and those who did not.

[5] This potential for direct transfers is a major conceptual difference in the analysis of the intergenerational transmission of wealth compared to the case of income or education.

Table 5 Regression results by offspring characteristics

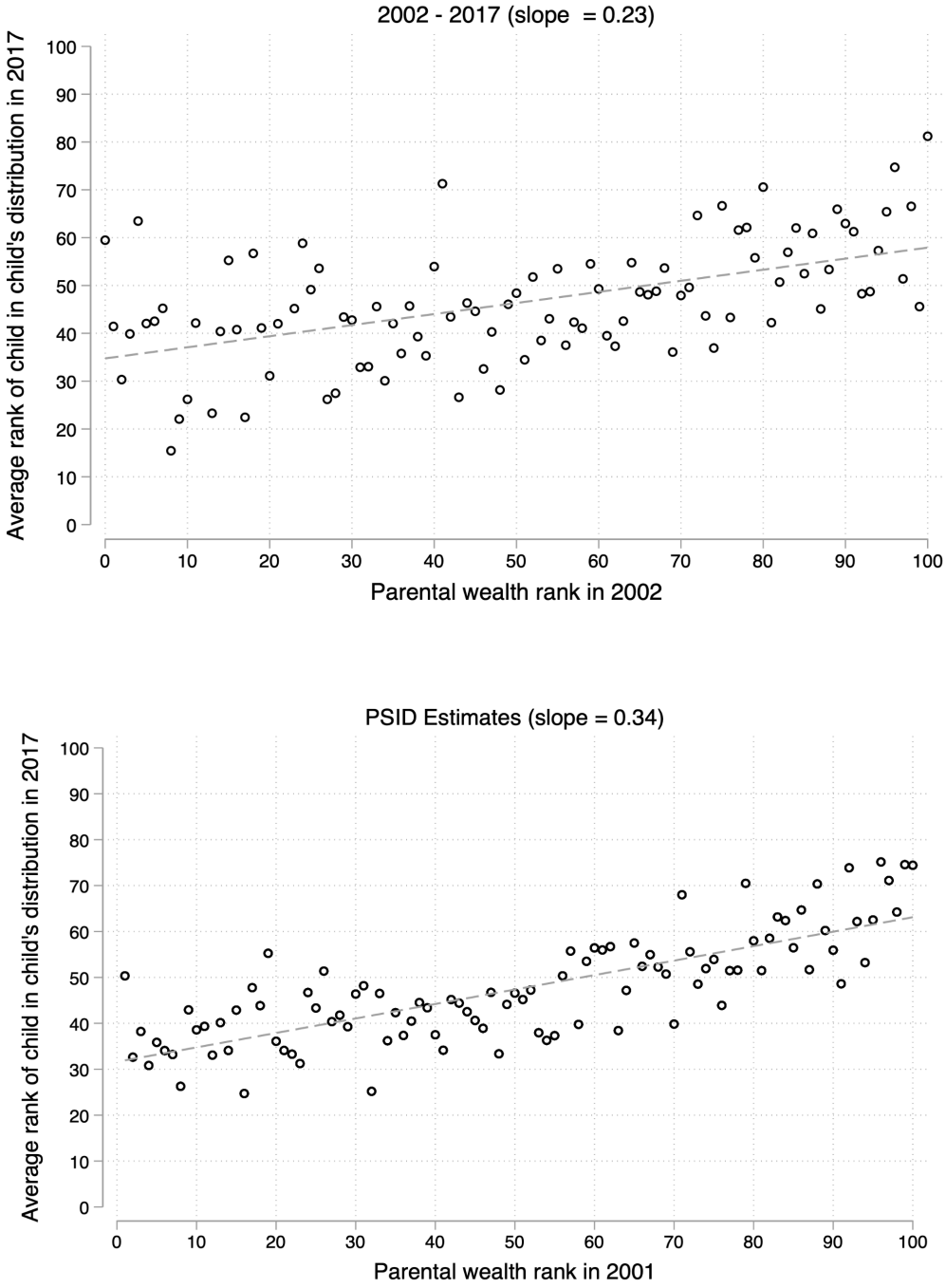
	Estimate	se	R2	N
Reference estimate				
Full pooled sample	0.25	0.024	0.14	*1,535*
Individual characteristics				
Sons	0.26	0.035	0.13	*804*
Daughters	0.23	0.032	0.13	*731*
West (2002-2017)	0.25	0.042	0.14	*515*
East (2002-2017)	0.15	0.065	0.13	*227*
No Inheritance/Gift received	0.23	0.025	0.11	*1,320*
Inheritance/Gift received	0.15	0.076	0.14	*152*
Not self-employed	0.23	0.025	0.11	*1,414*
Self-employed	0.44	0.097	0.26	*90*

Note: own calculations based on SOEP v37; Standard errors in column *se*;
All estimates significant with p<0.01.

3.6 Intergenerational rank-rank correlations of wealth in Germany compared to the US

The Great Gatsby curve for wealth presented above (Figure 1) shows that the estimated IRRC in Germany is smaller than the estimate for the US (0.36, see Pfeffer and Killewald (2018)). In this section, we first replicate this finding and then try to explain the difference between countries.

Figure 3 Intergenerational rank-rank correlations of wealth in Germany and the US



Source: Own illustration based on comparable samples based on SOEP (top) and PSID (bottom) data.

To this end, we construct an analytical sample from the Panel Study of Income Dynamics (PSID) that is as comparable to our German sample. Figure 3 shows the resulting mobility curves of this exercise. In our comparable sample, the slope of the mobility curves is 0.23 for Germany and 0.34 for the US, which is close to the estimate in Pfeffer and Killewald (2018). The results confirm a higher level of intergenerational wealth mobility in Germany compared to the US.

[*Outlook: In a final step we plan to present results in which we reweight the German SOEP sample to resemble the US PSID sample based on a wide range of observable characteristics and analyze how much differences in observable characteristics contribute to the difference in IRRC estimates that we find. Preliminary results suggest that the German IRRC based on the reweighted distribution increases by 20%-30%, substantially closing the gap between the two countries.*]

4 Discussion

We find that the rank-rank correlation in individual net wealth in Germany is relatively stable over time, ranging between 0.24 and 0.26, placing Germany in the middle of the international ranking. These findings are based on several key assumptions that we discuss here. In general, the empirical literature on the intergenerational transmission of wealth is still in its infancy, and many of the methodological debates that have been going on for decades, for example, in the literature on the intergenerational transmission of income, have yet to begin or at least be completed in the area of intergenerational wealth mobility (Lersch et al., 2023).[6]

One (data-driven) drawback of our study is that we can only use a single wealth measure per generation, i.e., in 1988 or 2002 for the parents and in 2002 or 2017 for the offspring. This may be problematic, as numerous contributions (e.g., Mazumder, 2016; Solon, 1992; Zimmerman, 1992) have shown that in the case of income, this can lead to a substantial underestimation of the intergenerational transmission. In addition, life-cycle

[6] The literature also still lacks a clear consensus on the theoretical underpinnings. While wealth is likely related to the concept of permanent income in the seminal work of Becker and Tomes (1979), Boserup et al. (2017) suggest focusing on lifetime resources instead.

effects are important and can also lead to biased estimates (e.g., Grawe, 2006; Haider and Solon, 2006; Jenkins, 1987; Mello et al., 2022; Nybom and Stuhler, 2016).[7]

Since wealth is conceptually different from income, it is unclear to what extent these results apply to the case of wealth. However, we address some of them in our study. Since we do not have additional wealth observations, we cannot extend our analysis to Germany. However, in Figure 3 we present results for the US based on a comparable sample to ours and find no significant deviation from previously published results.[8] In the absence of studies explicitly analyzing life-cycle bias in estimates of intergenerational wealth transmission,[9] we decided to restrict our wealth observations to the 30-55 age range and replicate this decision with the US data, measuring wealth at as comparable ages as possible in both generations.[10]

5 Conclusion

This study examines the intergenerational transmission of wealth in Germany between 1988 and 2017, using data from the German Socio-Economic Panel (SOEP). We find a stable intergenerational rank-rank correlation (IRRC) of 0.265, indicating that a higher parental wealth rank is associated with an increase in the offspring's wealth rank by about a quarter of a rank. This correlation is consistent across gender and birth cohorts. While higher parental education is associated with greater economic mobility for children, the transmission of wealth plays a vital role beyond parental income and education. Our results place Germany in the middle range of intergenerational wealth transmission compared to other countries, with the US showing higher wealth inequality and immobility.

[Preliminary results from additional comparisons with the United States show that part of this difference in estimated IRRCs is due to observable differences in the characteristics of the data (and populations) analyzed in the two countries. Re-weighting the German sample to mimic the US data leads to a substantial increase in the IRRC estimate

[7] Using ranks instead of raw values can under some circumstances reduce the potential for bias (Chetty et al., 2014).
[8] Siminski and You (2022) follow a similar approach in their analysis of Australia, based on data from the HILDA survey, which suffers from similar problems as our SOEP data.
[9] While there are no papers explicitly analysing life-cycle bias, there are contributions that present and compare IRRC estimates at different ages (e.g., Boserup et al., 2017; Siminski and Yu, 2022) and there are contributions that analyze wealth accumulation over the life-span (Schnitzlein et al., 2024).
[10] This follows a suggestion in Boserup et al. (2017).

for Germany and thus to a substantial reduction in the difference between the two countries.]

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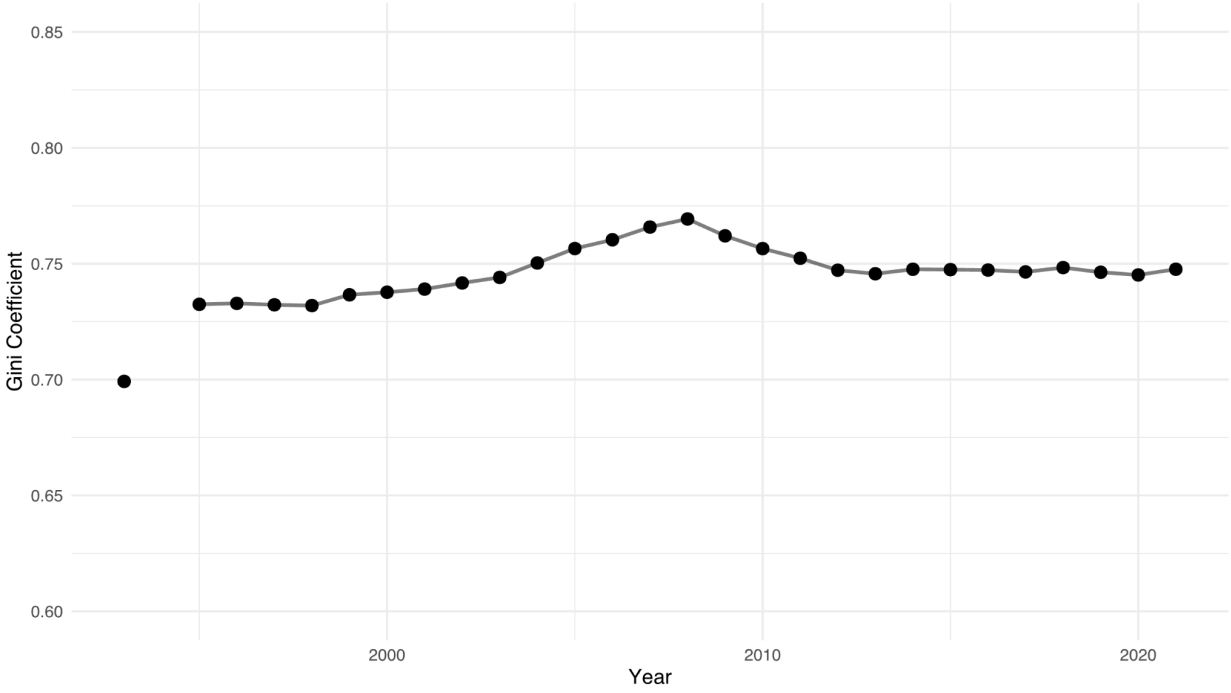
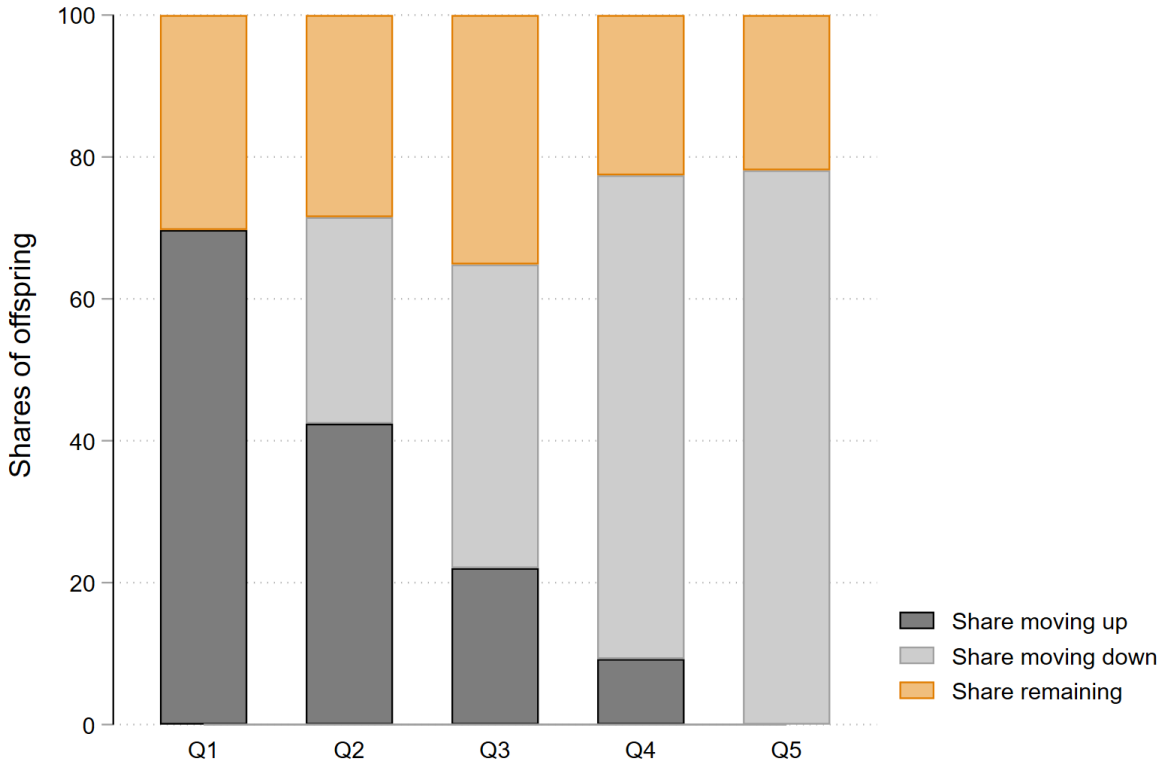
Supporting Information Appendix (SI)

Figure SI.1. Development of the Gini index in net wealth in Germany over time



Source: Own illustration based on WID data.

Figure SI.2 Share of offspring moving across parental wealth quintiles

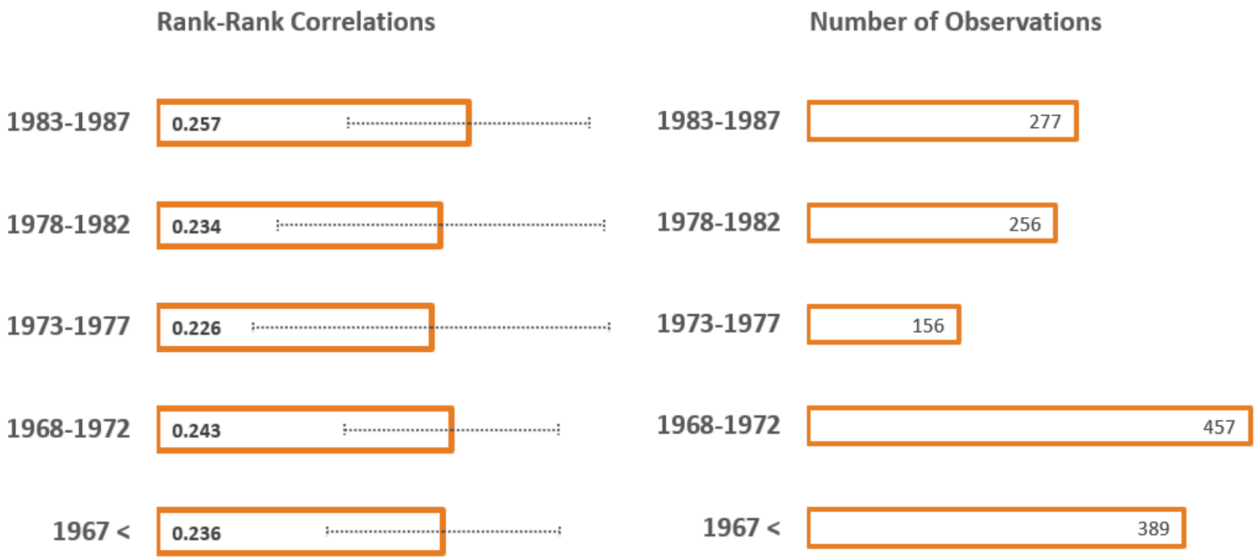


Source: Own calculations based on the pooled sample.

Figure SI.3 Average Rank of Children by Parental Rank and Gender

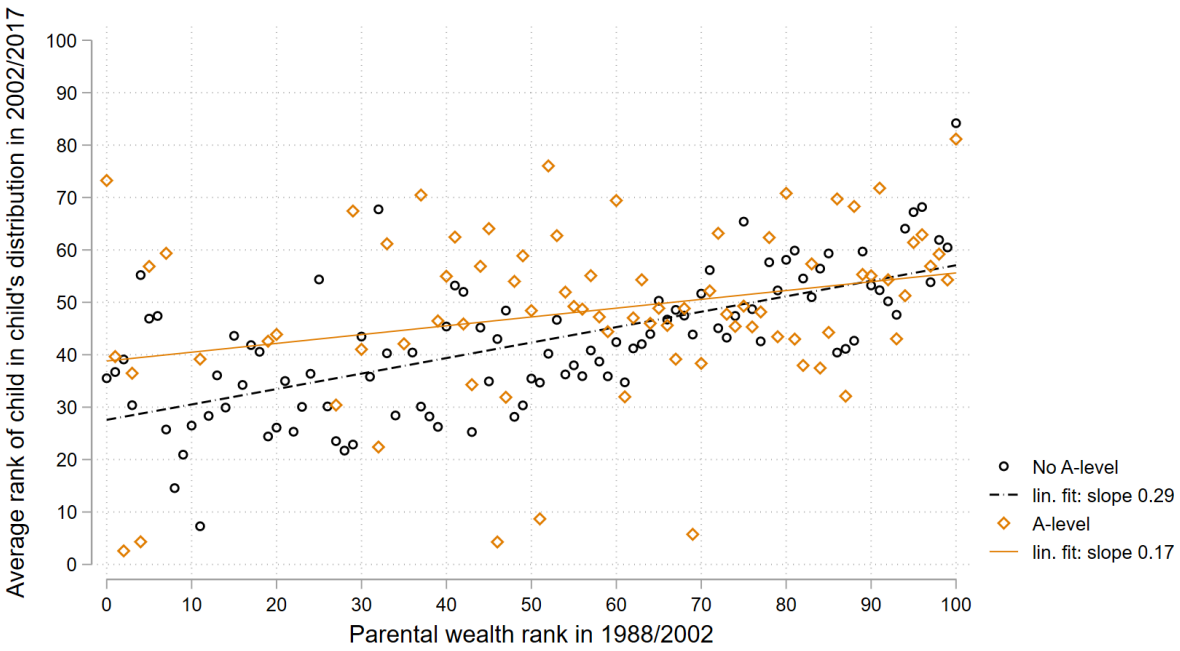
Source: Own calculations

Figure SI.4 Rank-rank correlations in wealth by offspring cohort



Source: Own calculations based on the pooled sample.

Figure SI.5 Average Rank of Children by Parental Education



Source: Own illustration based on SOEP data.

Table SI.1 International estimates: intergenerational transmission of wealth

Country	Estimate	Measure	Data
Australia	0.26	Elasticity	Survey Data (HILDA); Seminski and Yu (2022)
France	0.22	Elasticity, gross wealth	Data from survey on household level; Arrondel (2009)
South Korea	0.23	Pearson correlation, net-wealth	Survey data from Korean Labor and Income Panel Study (KLIPS) on household level (5-10y after kids left parental household); Ma (2016).
Denmark	0.24	Elasticity, net-wealth	Administrative data from registers at Statistics Denmark available on individual level; Boserup et al. (2017)
Norway	0.24	Rank-rank correlation; net-wealth	Administrative data from registers at Statistics Norway available on individual level aggregated to household level, Fagereng et al. (2021)
Japan	0.27	Rank-rank correlation; net-wealth	Survey data from Preference Parameter Study (PPS) and Parent and Child Survey (PCS) on house- hold level; Kubota (2017)
Taiwan	0.30	Rank-rank correlation; net-wealth	Administrative data from registers at the Financial Information Agency (Ministry of Finance, Taiwan) on individual wealth, Chu et al. (2019)
Sweden	0.34	Rank-rank correlation; net-wealth	Administrative data from registers at Statistics Sweden available on individual level, Black et al. (2020)
United States	0.39	Rank-rank correlation; net-wealth	Wealth measures from PSID on household level; Pfeffer and Killewald (2018)

Source: own illustration

Table SI.2 Regression results by parental characteristics

	Estimate	se	R2	N
Reference estimate				
Full pooled sample	0.25	0.024	0.14	*1,535*
Parental characteristics				
No univ. entrance cert.	0.26	0.027	0.14	*1,194*
Univ. entrance cert.	0.13	0.056	0.11	*341*
Above median income	0.25	0.031	0.12	*1,082*
Below median income	0.15	0.046	0.09	*454*

Note: own calculations based on SOEP v37; Standard errors in column *se*; All estimates significant with p<0.01.