

Unfree Wills: Inheritance Rules, Bequest Motives, and Wealth Diffusion

Abstract

Inheritance has been shown to perpetuate inequality. To date, researchers have focused on taxation as the policy tool for dispersing private wealth beyond family dynasties. We consider an alternative approach: inheritance law. Many countries' laws force testators to leave certain minimum estate shares to privileged heirs, primarily their children. Relaxing such forced dynastic transmission could allow wealth to diffuse more widely, without state coercion. We explore the potential for such an approach by tracking the effects of a major liberalization of inheritance rules in Switzerland in a novel dataset consisting of 16,933 anonymous online wills. We find that greater testator freedoms were used primarily to increase the shares given to spouses and life partners. The share of estates flowing to heirs outside of the core family increased statistically significantly in some instances, especially in cases without a surviving partner. We also observe that testator preferences are reference dependent, with changes in legal minima shifting the entire distribution of estate allocations. More liberal inheritance rules can contribute to increasing intergenerational wealth diffusion, but the magnitude of such effects is unlikely to be sufficient to significantly offset secular increases in wealth inequality.

This paper is joint work with Laia Soler (UNIL).

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