Rev Econ Household (2014) 12:407–410
DOI 10.1007/s11150-014-9259-4

Altruism and monetary transfers in the household: inter- and intra-generation issues

José Alberto Molina

Received: 10 July 2014 / Accepted: 12 July 2014 / Published online: 29 July 2014

Abstract The literature on altruism and monetary transfers in the household is here extended with new and recent evidence on different approaches with the final aim being to provide policy recommendations in order to reduce socio-economic inequality among households, from both inter- and intra-generational perspectives. Thus, we include issues which deal with transfers from parents to kids (downstream transfers), and with transfers from kids to parents (upstream transfers). On the other hand, we also include issues from intragenerational transfers beyond the household, studying such phenomena as charitable donations and remittances from migrants.

Keywords Altruism · Monetary transfers · Inter- and intra generation issues

JEL Classification D13 · D31 · D64 · D91 · J12

The response to this journal's call for papers on Altruism in the Household was so overwhelming that the editor and I decided to prepare two special issues. The first dealt with in-kind transfers (Volume 11–3, Molina 2013). This second Special Issue is dedicated to monetary transfers in the household, from both inter- and intra-generational perspectives.

The literature on monetary transfers in the household (e.g., Cox 1987; Kotlikoff 1988; Cox and Rank 1992; Stark 1995; Altonji et al. 1997; Ioannides and Kan 2000) is here extended with new and recent evidence on different approaches to monetary household transfers that emerge in a variety of circumstances, depending on whether

J. A. Molina (✉)
Faculty of Economics and Business Studies, University of Zaragoza and IZA, Gran Vía 2, 50005 Saragossa, Spain
e-mail: jamolina@unizar.es

households are, primarily, altruistic or selfish. The final aim of this new evidence is to provide policy recommendations in order to reduce socio-economic inequality among households, from both intra- and inter-generational perspectives.

Focusing initially on inter-generational monetary issues, it is well-known that inter-generational mobility reflects the reality that, if individual incomes are strongly related to parental incomes, then children from a poor family are likely to be relatively poor as adults and, consequently, monetary inequality will be perpetuated (see, for example, Black et al. 2011; Blande 2013). With respect to policy recommendations, altruistic preferences between generations imply, for example, that the introduction of a pay-as-you-go public old-age pension system will have no impact on household savings because the parents will bequeath all of their pension benefits to their children, to compensate them for the payroll taxes they will have to pay to finance these benefits.

A few of the papers in this Issue deal with inter-generational transfers: Charles Horioka, and Luc Arrondel and Cyril Grange, deal with transfers from parents to kids (downstream transfers), and Cheolsung Park studies transfers from kids to parents (upstream transfers).

Charles Horioka discusses the implications for bequest motives and bequest division that arise from three alternative assumptions concerning household preferences: altruism, self-interest, and a desire for dynasty building. Horioka makes a significant contribution to the literature, not only by presenting direct information on households' stated bequest motives and bequest division plans, but also by presenting results from four countries with very different levels of economic development, cultures, etc. Specifically, this author uses data from China, India, Japan, and the United States and finds important differences in bequest plans, with the bequest plans of Americans and Indians appearing to be more consistent with altruistic preferences than those of the Japanese and Chinese. Horioka also finds that these inter-country differences in bequest plans are apparently not due to inter-country differences in income levels, income growth, or inheritance laws, but may partly reflect inter-country differences in household preferences.

Due to data limitations until now few empirical studies have analyzed both bequests and inheritances. Luc Arrondel and Cyril Grange evaluate the effect of inheritances received by individuals in France on the amount that they, in turn, bequeath, after controlling for other individual characteristics. Particularly, Luc Arrondel and Cyril Grange measure the specific influence on bequests of inheritance relative to human resources, on the basis of an original and unique historical database covering the 19^{th} and the first half of the twentieth centuries. Evidence suggests that parents who have themselves inherited from their own parents are more likely to leave an estate to their children. These empirical results reveal the retrospective character of bequests, that is to say, the strong influence of inherited wealth on bequeathed wealth. Thus, one who has inherited twice the average wealth will leave 35–50 % more to his/her own heirs than the average of that generation.

Focusing now on monetary transfers from children to parents, Cheolsung Park uses panel data from South Korea to investigate what motivates adult children to transfer money to their parents. This panel has the attraction that it tracks split-offs, mostly adult children who have moved out of the parental home. By matching the split-offs to the parents, and constructing a sample of child-parent pairs, Park is able to use the same set of detailed information on the socio-economic characteristics of both sides engaged in inter-generational transfers. The results indicate that both altruism and non-altruistic exchange motivate children to engage in transfers, and the author concludes that altruism is the dominant motive at the margin, when parental income is low, but this is not the case when parental income is high. Park also finds that upstream transfers are given, at least in part, in exchange for child care service and in lieu of personal visits.

In this context, Shoshana Grossbard compares in-family exchanges of work for money across generations (such as those analyzed in the articles by Horioka and Park in this special issue) with in-family exchanges of work for money between spouses in the economic literature of marriage. Grossbard explores the possible role of prices as motivators of in-family caregiving and presents some insights derived from thinking in terms of prices, altruism, and the concept of "Work-In-Household" (WiHo).

A different approach to altruism and monetary transfers is needed to examine intra-generational transfers beyond the household, studying such phenomena as charitable donations and remittances from migrants. Thus, the relationship between an individual's income and charitable giving is a topic of great concern for policy makers, with research suggesting that giving could be considered as a normal good (Andreoni 2006) and recent evidence from experimental studies on income giving showing mixed results (Erkal et al. 2011). With respect to remittances from migrants, the literature has shown that a combination of individualistic and household motives explains the likelihood and size of remittances (Rapopport and Docquier 2006), and that while income smoothing does not appear to be the primary motive for sending remittances, in a non-negligible share of households such transfers tend to smooth household income (Amuedo-Dorantes and Pozo 2011).

One of the articles included here, that by Joelle Saad-Lessler and Karen Richman, deals with intra-generational transfers in the context of charitable giving. It evaluates how collectivism, which emphasizes group solidarity or altruism, affects the saving behavior of Mexican-Americans in comparison to non-Mexican Latinos. Mexicans appear to have a high degree of interdependence when they "invest" in people, with the expectation of future return, through contributions of money, time, or affective support, among others. These significant effects suggest a path for policy makers who need to understand the heterogeneity of financial behavior within the Hispanic community. Thus, the collectivist informal economy of Mexican immigrants and their children is at odds with the formal defined-contribution retirement savings system, which is geared towards higher-income workers who benefit from the tax deductions, and penalizes those participants who borrow or withdraw funds before retirement age.

The paper by Alpaslan Akay, Corrado Giulietti, Juan David Robalino and Klaus F. Zimmermann analyzes the relationship between sending remittances and the utility of migrants measured in terms of their subjective well-being. Exploring the relationship between sending remittances and the well-being of migrants is particularly relevant in the context of China, a country that in recent decades has experienced a massive migration of workers from rural to urban areas. Results indicate that migrants experience welfare gains by sending remittances, with these results being robust to model specifications and the presence of individual and regional unobserved heterogeneity. While the data used in this article do not allow the identification of various forms of altruism, the analysis provides insight into more specific reasons behind remitting, such as the presence of reciprocity or co-insurance.

Charlene Kaleskoski uses American data to examine whether receipt of public or private assistance is associated with the recipients' own generosity in the form of formal and informal volunteering. Kaleskoski's results indicate that receipt of private assistance is negatively associated with women's care for non-household adults and men's care for non-household children.

Acknowledgments I am grateful for helpful comments from Shoshana Grossbard. This contribution has benefited from funding from the Spanish Ministry of Economics (Project ECO2012-34828).

References

Altonji, J. G., Hayashi, F., & Kotlikoff, L. J. (1997). Parental altruism and inter-vivos transfers: Theory and evidence. *Journal of Political Economy, 105*(6), 1121–1166.

Amuedo-Dorantes, C., & Pozo, S. (2011). Remittances and income smoothing. *The American Economic Review, 101*(3), 582–587.

Andreoni, J. (2006). Philantropy. In S. C. Kolm & J. M. Ythier (Eds.), *Handbook of the economics of giving and altruism and reciprocity* (2nd ed.). Amsterdam: North-Holland.

Black, Sandra E. and Devereux, Paul J. (2011). "Recent developments in intergenerational mobility". *Handbook of Labor Economics*, Vol. 4b, Chapter 16. Elsevier.

Blande, J. (2013). Cross-country rankings in intergenerational mobility: A comparison of approaches from economics and sociology. *Journal of Economic Surveys, 27*(1), 38–73.

Cox, D. (1987). Motives for private income transfers. *Journal of Political Economy, 95*(3), 508–546.

Cox, D., & Rank, M. R. (1992). Inter-vivos transfers and intergenerational exchange. *Review of Economics and Statistics, 74*(2), 305–314.

Erkal, N., Gangadharan, L., & Kikiforakis, N. (2011). Relative earnings and giving in a real-effort experiment. *The American Economic Review, 101*(7), 3330–3348.

Ioannides, Y. M., & Kan, K. (2000). The nature of two-directional intergenerational transfers of money and time: an empirical analysis. In J. M. Ythier, S. C. Kolm, & L. A. Gerard-Varet (Eds.), *The economics of reciprocity, giving and altruism*. Palgrave Macmillan: Houndmills and London.

Kotlikoff, L. J. (1988). Intergenerational transfers and savings. *Journal of Economic Perspectives, 2*(2), 41–58.

Molina, J. A. (2013). Altruism in the household: In-kind transfers in the context of kin selection. *Review of Economics of the Household, 11*(3), 309–312.

Rapopport, H., & Docquier, F. (2006). The economics of migrants. In S. C. Kolm & J. M. Ythier (Eds.), *Handbook of the economics of giving and altruism and reciprocity* (Vol. 2). Amsterdam: North-Holland.

Stark, O. (1995). *Altruism and beyond: An economic analysis of transfers and exchanges within families and groups*. Cambridge, UK: Cambridge University Press.