

BEQUEST MOTIVES AND PARENT-CHILD RELATIONS IN THE U.S., JAPAN, CHINA, AND INDIA

CHARLES YUJI HORIOKA
Institute of Social and Economic
Research
Osaka University
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The Purpose of This Presentation

The purpose of this presentation is to present a variety of data and results on altruism, bequest motives, bequest division, and parent-child relations in the United States, Japan, China, and India for two reasons:

- (1) In order to shed light on which theoretical model of household behavior applies in the four countries and
- (2) In order to shed light on whether different models of household behavior apply in the four countries.

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Theoretical Models of Household Behavior (1)

(1) The selfish life cycle model

Assumes that individuals care only about themselves

(2) The altruism model

Assumes that individuals harbor intergenerational altruism toward their children

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Theoretical Models of Household Behavior (2)

(3) The dynasty model

Assumes that individuals care about the perpetuation of the family line and/or the family business.

(4) Social norms and traditions

Assumes that individuals behave in accordance with social norms and traditions even if it is not rational to do so.

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Implications of Each Model for Bequest Motives, Bequest Division, and Parent-Child Relations

Each of these models of household behavior has different implications for bequest motives, bequest division, and parent-child relations.

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(1) The Selfish Life Cycle Model

Bequest motive: Leave no bequests, leave only unintended bequests arising from lifespan uncertainty, and/or leave bequests only if one's children provide care and/or financial support during old age.

Bequest division: Leave more or all to the child who provides more care and/or financial support during old age.

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(2) The Altruism Model

Bequest motive: Leave bequests even if one's children do not provide care and/or financial support during old age and do not carry on the family line and/or the family business.

Bequest division: Divide equally or leave more or all to the child who has greater needs and/or less earnings capacity.

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(3) The Dynasty Model

Bequest motive: Leave bequests only if one's children carry on the family line and/or the family business.

Bequest division: Leave more or all to the child who carries on the family line and/or the family business.

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(4) Social norms & traditions

Bequest motive: Leave the entire bequest to the eldest son because this is the social norm in Japan. Similarly, the eldest son (and his wife) take care of his parents because this is the social norm in Japan.

Bequest division: See above.

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Thus, each theoretical model of household behavior has very difficult implications for bequest motives and bequest division, and thus we can shed light on which theoretical model of household behavior applies in the real world by looking at individuals' bequest motives and bequest division.

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Data Sources

I will present data from a number of surveys for which I was the principal investigator or co-investigator.

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Data Source (1)

The "U.S.-Japan Comparison Survey of Saving (Chochiku ni kansuru Nichibei Hikaku Chousa)," conducted in the United States and Japan in 1996 by the former Institute of Posts and Telecommunications of the former Japanese Ministry of Posts and Telecommunications

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Data Source (2)

The “Survey on Preferences toward, and Satisfaction with, Life (Kurashi no Konomi to Manzokudo ni tsuite no Anke-to),” conducted annually since 2005 in Japan, annually since 2006 in the United States, and also in China and India by the Twenty-first Century and Global Center of Excellence (COE) Programs at Osaka University

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Data Source (3)

The “Parent-Child Survey (Oyako Chousa),” conducted in the United States and Japan in 2006 by the Twenty-first Century Center of Excellence Program at Osaka University as a supplement to the “Survey on Preferences toward, and Satisfaction with, Life”

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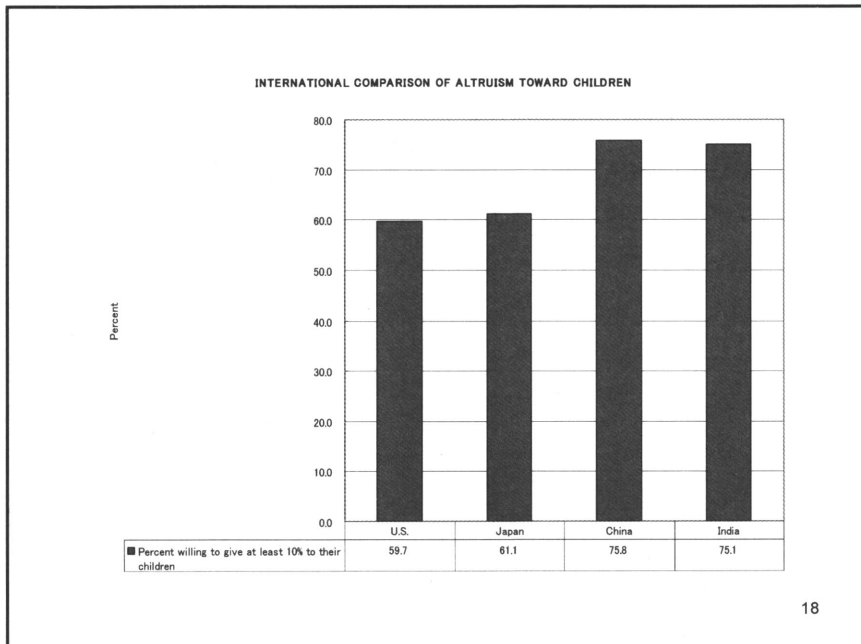
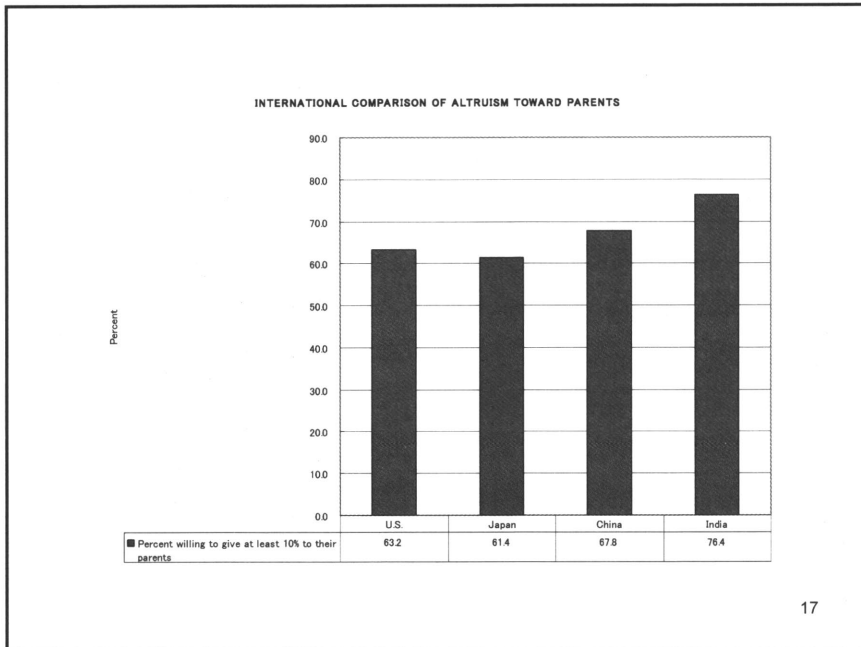
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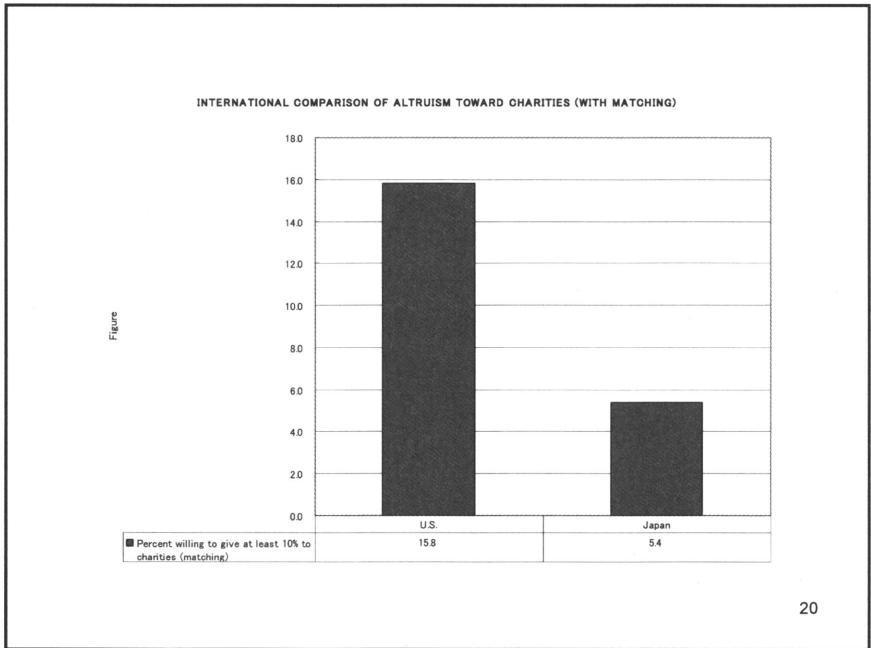
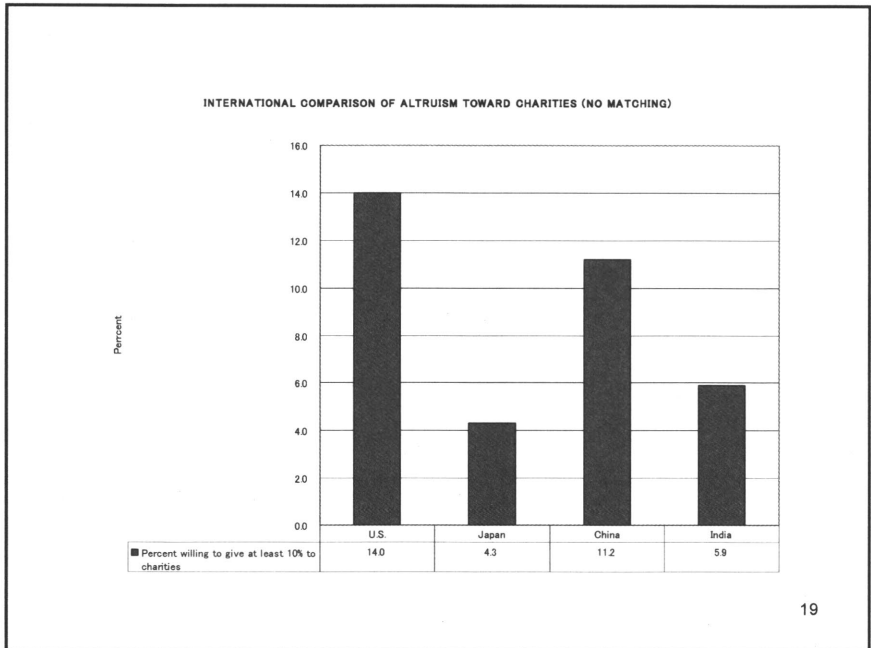
The “Survey on Intra-Household Distribution and Inter-generational Transfers (Setai-nai Bunpai/Sedai-kan Iten ni kansuru Kenkyuu Chousa),” conducted in Japan in 2006 by the Institute for Research on Household Economics (Kakei Keizai Kenkyuu-sho)

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(1) Data on Altruism

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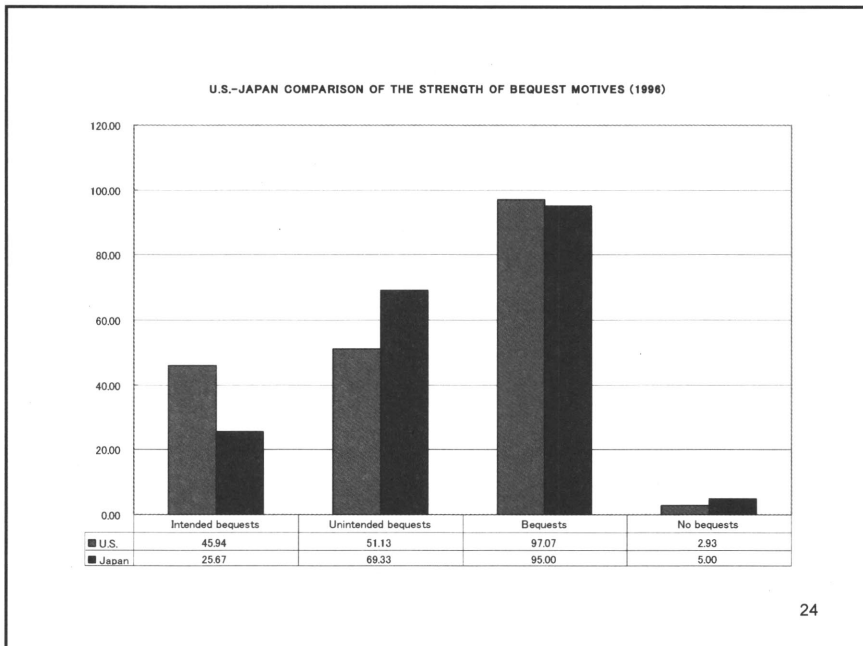
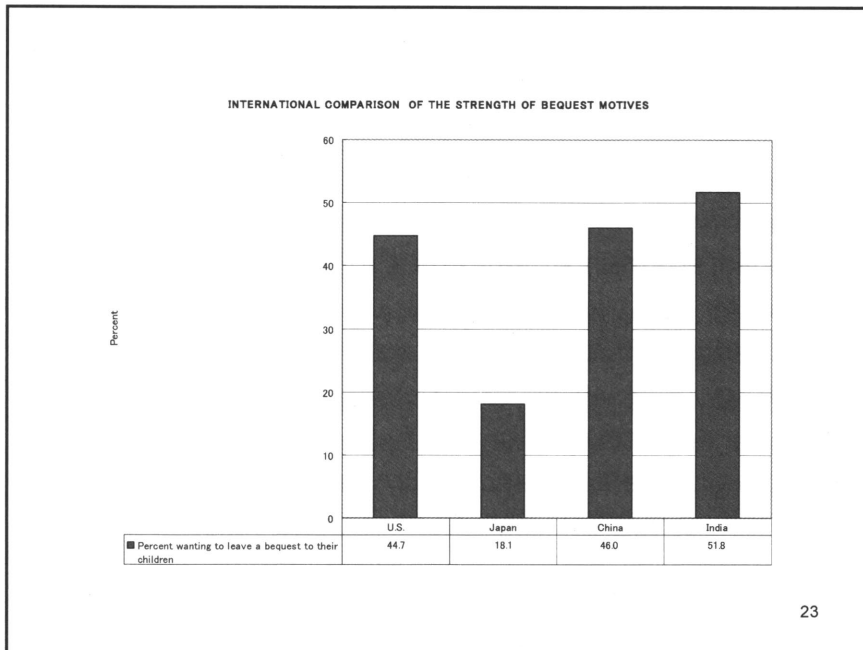
Summary re Altruism

- Indians and Chinese are somewhat more altruistic toward family members (parents and children) than Americans and Japanese.
- All four peoples are far less altruistic toward charities than they are toward family members.
- Americans are the most altruistic toward charities, the Chinese are almost as altruistic toward charities, and Indians and Japanese are far less altruistic toward charities.

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(2) Data on the Strength of Bequest Motives

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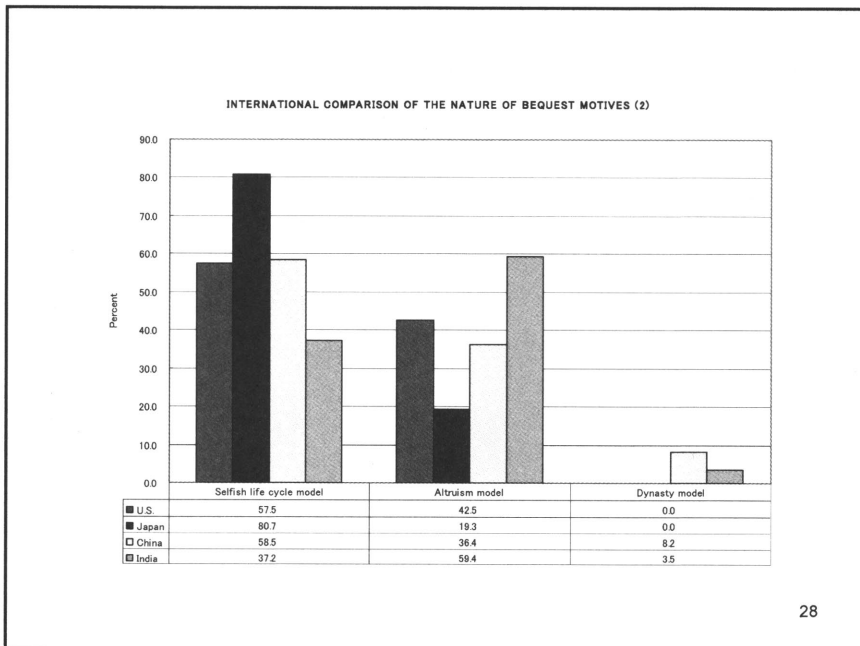
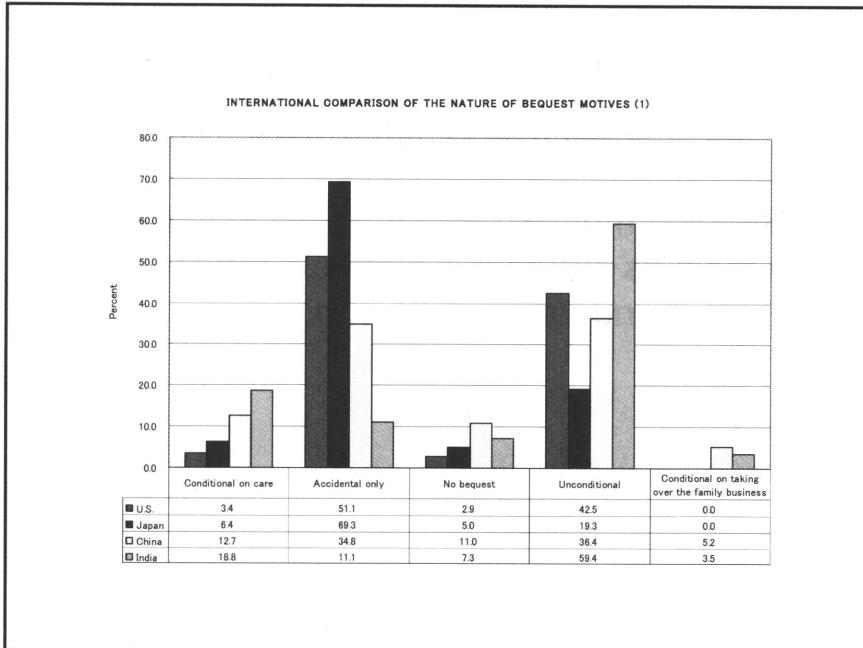
Summary re the Strength of Bequest Motives

- Bequest motives are strongest in India, almost as strong in China and the United States, and far weaker in Japan.

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(3) Data on the Nature of Bequest Motives

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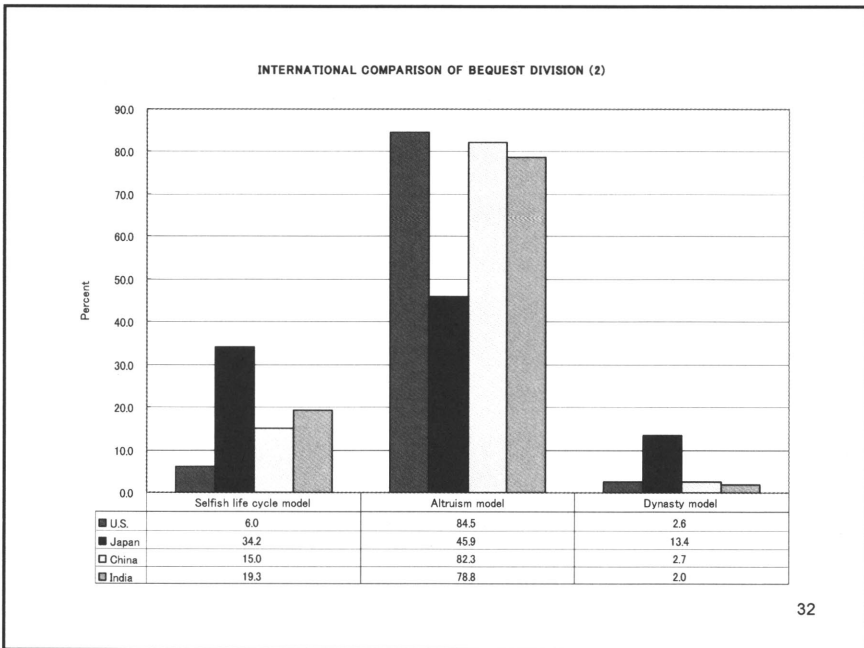
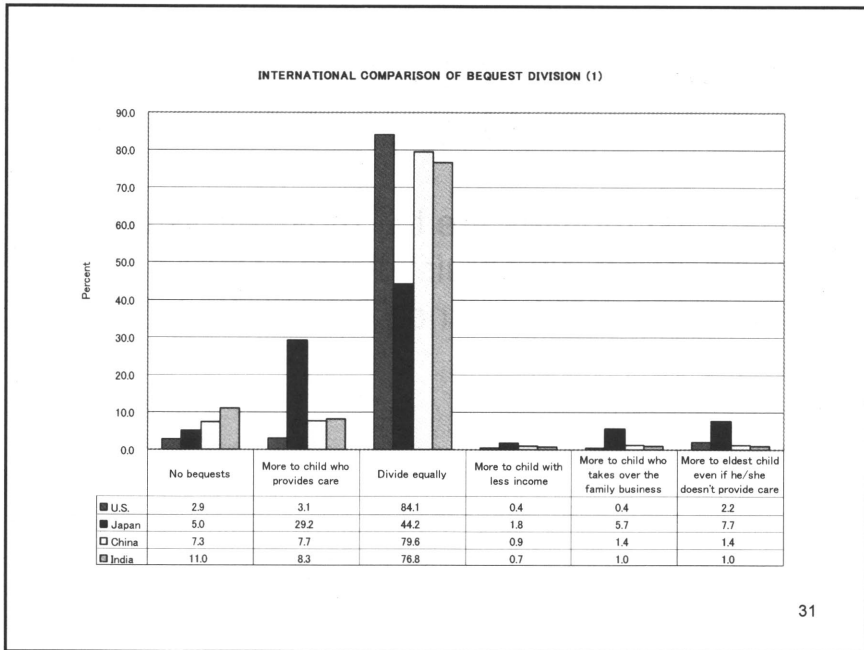
Summary re the Nature of Bequest Motives

- Bequest motives are the most altruistic in India, relatively altruistic in the United States and China, and far less altruistic in Japan.

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(4) Data on Bequest Division

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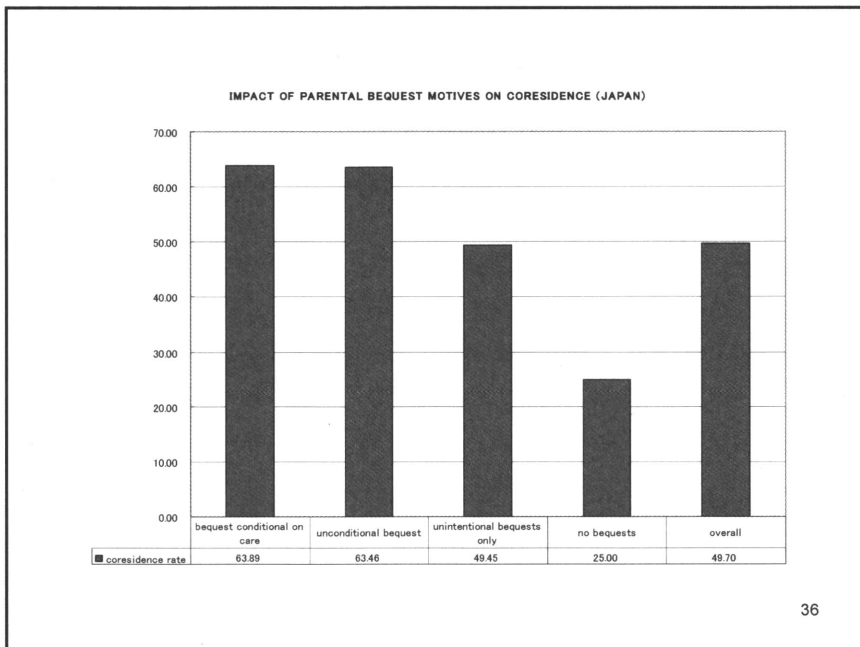
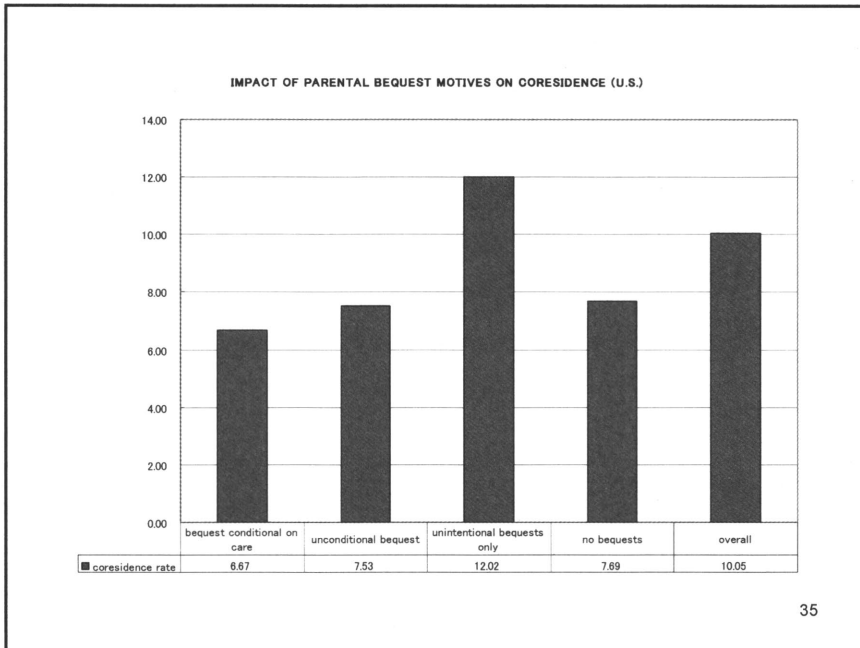
Summary re Bequest Division

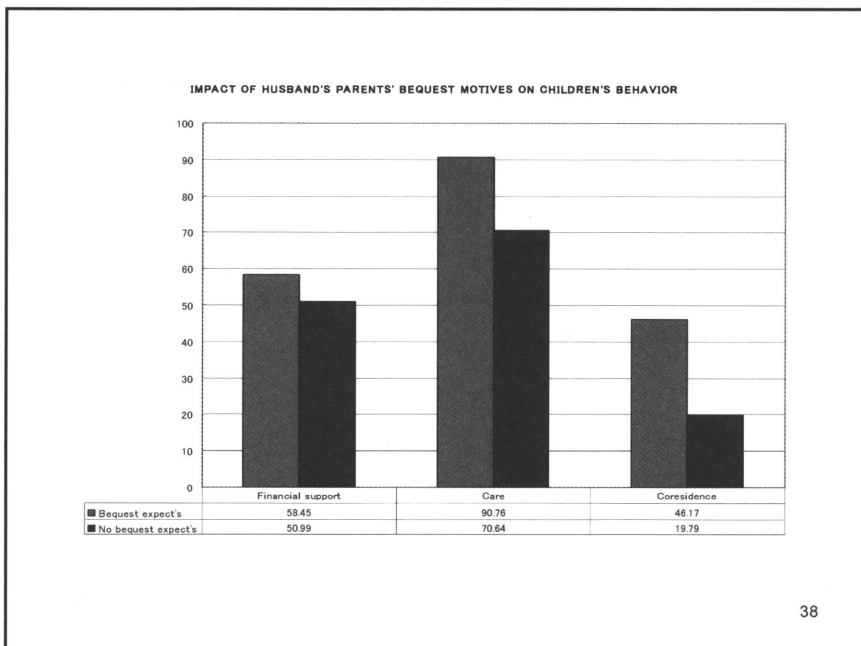
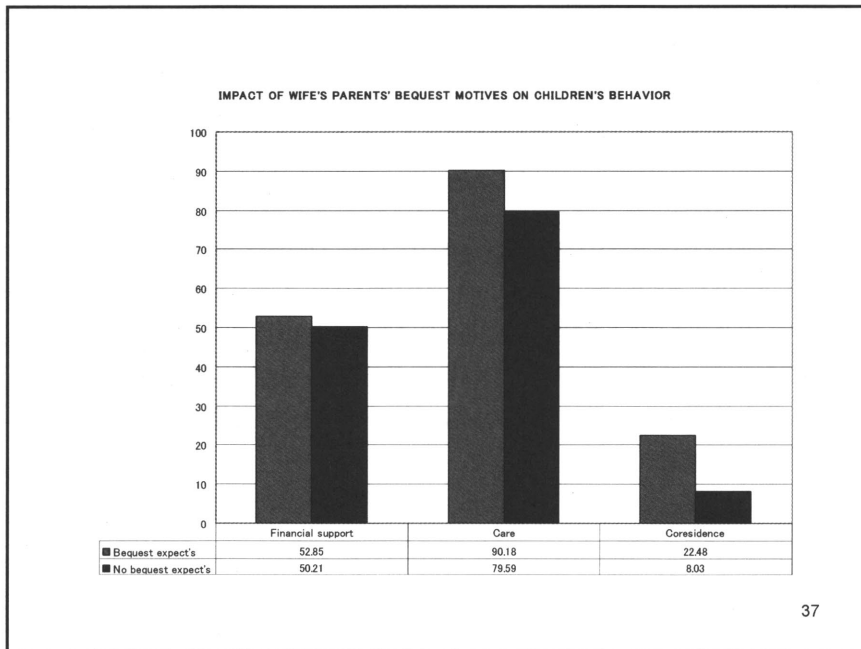
- Bequest division is the most altruistic in the United States, somewhat less altruistic in China and India, and far less altruistic in Japan.

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(5) Data on the Impact of Parental Bequest Motives on Children's Behavior

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Summary re the Impact of Parental Bequest Motives on Children's Behavior

- Parental bequest motives have a far stronger impact on children's behavior in Japan that they do in the United States, suggesting that not only parents but also children are more selfish (less altruistic) in Japan.

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Wakabayashi & Horioka (2009)(1)

Midori Wakabayashi and Charles Yuji Horioka, "Is the Eldest Son Different? The Residential Choice of Siblings in Japan," *Japan and the World Economy*, forthcoming.

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Wakabayashi & Horioka (2009)(2)

This paper analyzes the determinants of the living arrangements (coresidence behavior) of elderly parents and their children (whether elderly parents live with their children, and if so, with which child) in Japan using micro data from the 1998 “National Family Survey.” In so doing, we try to shed light on which theoretical model of household behavior applies in Japan.

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Wakabayashi & Horioka (2009)(3)

This paper makes at least two original contributions:

- (1) It is the first to take account of sibling composition.**
- (2) It is the first to conduct an explicit test of the importance of social norms and traditions.**

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Wakabayashi & Horioka (2009)(4)

(1) Sample with two or more children

Estimation method: Multinomial logit

Dependent variable:

1: Parents live with the eldest child

2: Parents live with a child other than the eldest child

3: Parents live with both

4: Parents live independently

Similarly for the eldest son and eldest daughter

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Wakabayashi & Horioka (2009)(5)

(1) Sample with one child

Estimation method: Logit

Dependent variable:

0: Parents live with their only child

1: Parents live independently

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Wakabayashi & Horioka (2009)(6)

Principal findings (1):

- (1) Parents who were (relatively wealthy) executives before retirement are more likely to live with their children.
 - (2) Parents who are homeowners are more likely to live with their children.
 - (3) Parents are more likely to live with less educated children.
- Consistent with the selfish life cycle model (or the altruism model)

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Wakabayashi & Horioka (2009)(7)

Principal findings (2):

- (4) Parents who were self-employed before retirement are more likely to live with their children.
 - (5) Parents are less likely to live with sons who adopt their wife's surname.
 - (6) Parents are more likely to live with daughters whose husbands adopt their surname.
- Consistent with the dynasty model.

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Wakabayashi & Horioka (2009)(8)

Principal findings (3):

- (7) Parental attitudes toward parent-child relations affect their coresidence behavior.**
 - (8) Parents are more likely to live with their eldest child if their eldest child is a son.**
 - (9) Parents are more likely to live with their eldest son even if he is not the eldest child.**
- Consistent with social norms and traditions.**

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Wakabayashi & Horioka (2009)(9)

- Thus, our findings concerning the determinants of the living arrangements (coresidence behavior) of elderly parents and their children are consistent with all four theoretical models of household behavior, especially the selfish life cycle model and the dynasty model, both of which presuppose selfish behavior, and with social norms and traditions.**

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Overall Conclusions (1)

- There are substantial differences among countries in the degree of altruism, in the strength and nature of bequest motives, and in bequest division.
- Japan appears to be the outlier, with the Japanese being far less altruistic and far more selfish than Americans, Chinese, and Indians not only with respect to giving to family members (parents and children) and charities but also with respect to bequest motives and bequest division.

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Overall Conclusions (2)

- There is relative little difference among Americans, Chinese, and Indians in their degree of altruism, in the strength and nature of bequest motives, and in bequest division, but Indians and Chinese are somewhat more altruistic toward family members than Americans and bequest motives are somewhat more altruistic in India than in the United States and China, whereas Americans are more altruistic toward charities than Chinese and Indians and bequest division is more altruistic in the United States than in China and India.

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Overall Conclusions (3)

- The desire to perpetuate the family line or the family business is not very applicable in any country but is more applicable in Japan than it is in the United States, China, and India.

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Overall Conclusions (4)

- Children provide more care to their parents in Japan than they do in the United States but their behavior is motivated by selfish considerations—that is, care of parents by children is motivated by a desire to receive a bequest and conversely (a la the strategic bequest motive of Bernheim, Shleifer and Summers (1985)).
- Thus, the greater incidence of care of parents by children in Japan is consistent with the greater prevalence of the selfish life cycle model).

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Overall Conclusions (5)

- These findings suggest that the selfish life cycle model (and to a lesser extent the dynasty model) apply in Japan whereas the altruism model applies in the United States, China, and India.

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Directions for Future Research (1)

- What are the causes of the considerable cross-country differences in the degree of altruism?
- Are they due to differences in genes?
- Are they due to differences in culture?
- Are they due to differences in religiosity?
- Are they due to differences in financial development?

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Directions for Future Research (2)

- Are they due to differences in tax systems (for example, tax breaks for charitable contributions)?
- Are they due to differences in the social safety net?
- Are they due to differences in other government policies, institutions, etc.?

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Policy Implications (1)

- The fact that the Japanese are selfish implies that Ricardian equivalence will NOT hold and that tax cuts financed by the issuance of government bonds WILL be effective as an economic stimulus in Japan, and conversely for the United States, China, and India.

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Policy Implications (2)

- The fact that the Japanese are selfish implies that wealth inequalities will NOT be passed on from generation to generation because people will either not leave any bequests at all or will leave bequests only if there is a *quid pro quo*, meaning that *net* intergenerational transfers will be negligible and that bequest (estate) taxes are not so necessary in Japan, and conversely for the United States, China, and India.