

Transferring to family and friends: A review of the Motives, Evidence, and the role of Economics

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Abstract

Motives for private transfers have been explored by different disciplines. The views of psychologists, anthropologists and economists differ depending on the discipline and focus of the research. Most of the explanations given to date fall broadly within the two more distinct categories: altruistic and selfish behaviour. Despite the progress made in this regard, our understanding on how people behave when they interact with multiple kinship members remains still limited. This paper presents a review of the literature from various disciplines on the motives for private transfers and suggests further directions on which economics tools may be employed to better understand situations involving multiple family members and friends. This is particularly important when: *(i)* the giver has to decide on whether to transfer to all compeers, *(ii)* the decision is between giving to close family members and friends, and *(iii)* when external factors influence the kinship network.

JEL classifications: D10, D19, D13, D64

Key words: Private transfers, motives, altruism, egoism, family, friends

How selfish soever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.

Adam Smith (1969). The Theory of Moral Sentiments, p:1.

1. Introduction

People give financial and non-financial support to their family members and friends. This support is important both from an economical and social perspective. Private transfers are argued to be important in determining capital accumulation in transferring wealth to younger generations (Barro 1974; Kotlikoff and Summers 1981; Cox and Raines 1985), serving as a form of insurance against income shocks (Kotlikoff and Spivak 1981; Altonji, Hayashi et al. 1997). Support to family and friends is also argued to create cohesion and solidarity among family members (Bengtson and Roberts 1991). The role of private transfers and support in the economy and the impact on family life has attracted the attention of researchers from various disciplines. Psychologists, anthropologists, sociologists and economists have explored the motives (why do people give) and the dynamics of transfers (when do people give). Their views differ depending on the discipline and focus of the research. Most of the explanations given on the motivation of the transfers fall broadly within the two more distinct categories: altruism and self-interest. The literature shows that altruistic behaviours are most likely to be observed in parents-children relationships or whenever strong emotions/sentiments arise with respect to others (Trivers 1971; Berkowitz 1972; Becker 1976; Batson 1991; Khalil 2004). Selfish behaviours are mainly associated with motives of “quid pro quo” (i.e. immediate or delayed exchange, investments in own children, etc) and mostly explored by economists (Chiappori 1988; Cox and Rank 1992).

Altruism is more popular among non-economists as the main reason explaining prosocial behaviour (giving to others in situations when there are no immediate or visible gains). Such motives are usually indentified with acts that decreases the lifetime direct fitness of an actor and benefits one or more recipients (Trivers 1971; Wilson and Wilson 2007). Economists have been more sceptical in accepting such non-selfish motivations. However, adapting altruistic behaviour to explain some of the prosocial behaviours is also becoming more popular among economists (Schokkaert 2006). The evidence brought up from various disciplines (i.e. psychology or sociobiology) has contributed to a wider acceptance of the concept of altruism. Psychology has shown that people’s behaviour is influenced by strong empathic feelings (Batson 1991; Hoffman 1991). Sociobiology has shown that giving is greatly influenced by the existence of common genes (Hamilton 1964; Trivers 1971). Game theory on the other hand has shown that altruistic persons can survive among other egoistic ones (Bester and Güth 1998). Considering these developments, some argue that other disciplines may have a comparative advantage over the simplistic approach of reducing all prosocial giving into strictly selfish behaviour adapted by economics (Schokkaert 2006). On the other hand, adapting Edward Glaeser’s argument for situationalism and the application of the findings of other disciplines in economics (Glaeser 2004), we can argue that economics may benefit from the increasing body of evidence found in favour of non-selfish behaviour by

other disciplines.¹ In fact, the importance of economics in understanding individual giving behaviour derives from the recent findings of other disciplines. In the real world, altruistic motives are often endogenous to the particular relationships and even conflicting if more than one subject is considered (i.e. parents may decide to treat their children differently despite the altruistic motives towards them). To understand such situations one has to understand the supply side of transfers/support. Economics has all the tools to understand how the patterns of giving will also reflect the substitutability or complementarity of transfers over family members and friends. The new evidence on altruistic motives raises further questions on how individuals will adapt their behaviour under certain circumstances. For example, if altruism is mostly observed/applied to close family members how would people behave when they have to deal both with family and friends? Would transfers to/from such members serve as substitutes or complements to transfers to/from friends? How would transfers from benevolent individuals change when similar family members are involved? Interactions and transfers are also often spread over time and over multiple family members and/or friends. How would the transfers of benevolent individuals change in this context? How do these transfers change if they move in another place?

Psychology, sociobiology/anthropology, sociology and economics have looked at particular behaviours that trigger the support to family and friends. A psychologist looks at the family transfer as the elaborated form used to express sentiments and feelings (it is argued that such sentiments and feelings often motivate altruistic or non-altruistic transfers). A sociobiologist considers family transfers as the ways people use to ensure the transmission of their genes over time (the kin selection). An anthropologist considers the family transfer as a form of a rhetorical gesture in social communication. In this sense transfers are dependent on a set of social norms and obligations and possible political manoeuvring (Schieffelin 1980). A sociologist looks at the family transfers as a complexity of actions through which social relations and ties among this small group are materialized. An economist looks at family transfers mostly as a way through which individuals give up their own consumption in order to maximize the utility of their family as a unit, or because they are maximizing their long-term utility.

Disciplines like psychology or anthropology have dedicated a lot of attention to the motivation behind prosocial behaviour. But, how do benevolent people change their behaviours when they are confronted with multiple members or if they migrate from one place to another? Lack of data but also the level of the current theoretical frameworks can limit us in understanding this. This paper reviews the main achievements of different disciplines in explaining the main motives behind transfers to family or non-family members and puts forward the main directions on which economics may benefit in order to better explore the mechanisms behind such transfers.

This paper is organized in six sections. Section two gives an overview of the research on motivations in social psychology, anthropology, and sociology. Section three and four review the main economical theories explaining family transfers and the empirical evidence up to date. Section five gives an overview of the theoretical evidence looking at transfers over different family members, over time and over space.

¹ Edward Glaeser (2004) argues that the economic prediction deriving from the assumptions of the rational cognition and stable preferences may be challenged by the facts supporting situationalism (sustaining that decisions are dependent on local influences and not long-run well-being).

2. Motives for private support in other social sciences

Family support and the motives behind it have been in the focus of different disciplines. Psychologists, sociobiologists, anthropologists, and sociologists have been looking at this concept trying to distinguish motives leading to such behaviour under different circumstances and from different perspectives. Until recently, economists have dedicated more efforts in employing selfish behaviours for explaining the motives behind family support. The following sections give an overview of these concepts and the implications in explaining motives behind family solidarity from the perspective of different disciplines. The concepts presented are by no means comprehensive of the vast literature that exist in each of these disciplines, and give a summarized view for each of them.

2.1 Prosocial behaviour and altruism in social psychology

The motives for private transfers within psychology are mostly studied by social psychology which is a distinguished branch (including psychologists and sociologists) focusing on “...*how individuals think about, interact with, and influence each other*” (Bordens and Horowitz 2001). Social psychology has dedicated attention to the fact that people tend to give to others in situations when there are no immediate (or visible) gains for the donors. This is referred to as the prosocial behaviour. The prosocial behaviour relates to actions like helping, comforting, sharing and cooperating (Batson and Powell 2003). Social psychology divides the explanations of prosocial behaviour between altruistic and non-altruistic motives.

Serge-Christophe Kolm (2006) gives a comprehensive picture of the types of altruistic and non-altruistic behaviours for non-market transfers (see also Table 1) and the sentiments behind them. According to this classification, altruism is mostly related to hedonistic and normative behaviour. Altruistic motives can trigger transfers and help to family and friends, but such support can also be motivated by non-altruistic causes.

Kolm describes hedonistic altruism as related to situations where own hedonism makes a person to value the pleasure or the lesser pain of others. Individuals value more when another person is in a situation perceived as better for her/him. In such cases own hedonism leads to situations where a person is happier because someone else is happier or better off. Hedonistic altruism is triggered by psychological factors like affection, sympathy, empathy, emotional contagion (the induced emotion from others behaviour –which is usually weaker than own emotions) , compassion or pity (Kolm 2006).

Pure hedonistic altruistic behaviour is mostly based on the empathic altruism hypothesis.² Empathy altruism as defined by Charles D. Batson (1991) refers to the empathy feeling towards someone suffering. This empathy will likely be aversive (people do not like unpleasant emotions), yet it will not arouse egoistic-like actions to reduce such aversive emotions. The empathic altruism hypothesis sustains that such empathy will likely induce altruistically motivated behaviour aiming to help the needy people in reducing the suffering (Hoffman 1981; Batson 1991; Eisenberg 2000).

² Empathy here refers to the situation when we put ourselves in the places of the other person (this can refer to the physical mental, conditions,

Affection towards someone is a stronger sentiment associated mostly with close kin relationship (i.e. parent – children) (Knafo and Plomin 2006). Affective altruism implies liking someone and therefore considering a good thing what is a good thing for her/him (including alleviation of suffer or pain). From this perspective affection can be combined with empathy. Affection may also mean that we take a more paternalistic role towards someone wishing what we judge as the best of the person, but not necessarily the most conducive to her/his pleasure (Kolm 2006).

Sympathy is also one of the sentiments triggering altruistic behaviour. This is usually defined as “...an effective response that consist in feeling sorrow or concern for the distressed or needy other” (Eisenberg 2000: pp. 678). To some extent, sympathy can be associated with affection but does not impose a sense of responsibility over the other’s good. As a result, the sentiments generated by sympathy are of a lower intensity than those originated from affection. This implies that sympathetic altruism applies more to distant members of family or to friends rather than to close relationships like children or parents.

Moral altruism relates to sentiments like compassion and pity, which both arise when observing someone suffering or being in poor situation (Kolm 2006). These two sentiments do not need to be associated with prior relations and/or positive sentiments between each-other. We feel compassion or pity for the suffering of strangers, while for our closest relatives this sentiment is “crowded out” by affection (the higher degree of pain or discomfort we feel for our closest relatives leaves no room for pity). However, the compassion or pity we feel for others is to a lesser extent if compared to the degree of pain of that person, and in real world can also be mixed with other sentiments (i.e. empathy or emotional contagion).

Kolm argues further than altruistic motives include also the normative altruism, which in other words can be described as the situation when the individual considers the good of somebody else as “... a value in itself, a final or end value” (Kolm 2006 pp. 60). This is represented by three categories: intuitively moral altruism, the social normative altruism and rational normative altruism. Shalom Schwartz (1977) explains that normative altruism (of both forms) has three main conditions: 1) the moral obligations are so strong so that they push an individual to take specific actions, 2) moral obligation is activated by an individual’s cognitive structure of norms and values , and 3) action triggered by such feelings may be neutralized if appropriateness or relevance of the obligations is questioned (Shwartz 1977).

Philippe Rushton defines a norm as “... a standard by which the actions are judged and on that basis approved or disapproved” (Rushton 1979, p 234). In normative altruism the individuals with higher scores of internalized norms of “social responsibility”, other oriented values, or moral reasoning are more likely to behave prosocially than individuals with lower scores (Berkowitz and Daniels 1964; Berkowitz and Lutterman 1968; Berkowitz 1972; Rushton 1976; Rushton 1979). Individuals may use such standards to differentiate between right and wrong actions, appropriate and inappropriate behaviour, etc. Rushton argues further that the extent to which norms can influence the behaviour depends on the “internalization” of them. Thus, norms referred to as “moral principles” are strong norms that are turned into “oughts”, more abstract norms are referred to as “values”, and the ones considered as tentatively or arbitrary are referred to as “social rules”. In general the term norm as generally used in literature includes principles, customs, rules, and values.

Rational altruism in Kolm’s classification refers to the situation where a person acts altruistically because of sentiments arising from counterfactuals (situations that do not exist

but are imagined by people and thus influence their preferences and possibly choices). In these situations individuals are using aspects of rationality (logical reasoning, equality concerns, and consistency) and combining these ones with values. The categories of rational altruism include two subsets of motivations. The first one is based on “selfish” rational motivations and includes substitution and putative reciprocity. The sentiments here are similar to the empathic ones. The usual reasoning is to use counterfactuals like “*imagine yourself in his/her situation*” (substitution) or “*he/she would have helped if the same happened to you*” (putative reciprocity) (Kolm 2006). The second subset is based on social rational motivations and includes impartiality (justice) and universalization. The use of counterfactuals is in the function of judging the situations taking an impartial role (impartiality) or by imaging the actions of the other people only referring to Kant’s concept of universalization (i.e. asking the question “*what if the others did not contribute?*”). Both these subsets are further elaborated in Kolm (2006).³

Table 1. The classification of motives for private non-market transfers

| Motives | | Sentiments | |
|-------------------------|--------------------------|--|--|
| Altruistic | Hedonistic, natural | Affective | Affection/Sympathy |
| | | Pure hedonistic | Empathy/Emotional contagion |
| | | Moral | Compassion/Pity |
| | Normative | Norms and values | Moral intuition/ Social norm |
| | | Rational (selfish or social) | Substitution/Putative reciprocity Impartiality/Universalization |
| Non - altruistic | Non-altruistic normative | Duty Propriety Self-satisfaction Habit Tradition | |
| | Social effects | Receive others’ opinion | Praise/esteem/gratitude/virtue status |
| | | Social situation | Hierarchal status/superiority/suppress |
| | | Social relation | Relation keeping/showing goodwill/agreement/liking/enjoying, etc |
| | Self interests | Indirect effects | |
| | | Receive return gift | |
| | | Receive reward | From others/institutions/ in the future |
| | | From situation or status | |

Source: Adapted from Kolm (2006)³

³ Kolm, S.-C. (2006). Introduction to the Economics of Giving, Altruism and Reciprocity. Handbook on the Economics of Giving, Reciprocity and Altruism. S.-C. Kolm and J. M. Ythier, Elsevier. **1**: 1-114.

Following the same classification, non-altruistic transfers can derive from normative motivation as well as social effects or simply self-interest. Normative motivation here refers again to moral obligations or values that do not necessarily lead to altruistic actions. In this case giving is triggered by moral obligations (duty or proper actions) that would induce self-praise or social praise and also actions that are already part of habits or traditions.

Social effects relate to the societal effects arising from: 1) judgements or sentiments of the people who value the actions of the beneficiary (i.e. praise, esteem or gratitude) (Batson and Powell 2003), 2) maintaining (or conquering) a social status within the society (i.e. hierarchal status, superiority, etc), and 3) keeping a social relation with the receiver (the motive here does not correspond to the altruistic ones as the subject of the action is the giving and not the object or the amount given – people care more about giving something and less what is that they give).

The last non-altruistic type includes the self-interest giving. Here, the costs involved with the giving are expected to be compensated (or most often overcompensated) directly to the giver. Sections 2.3 and 3.2 will deal more extensively with such giving (reciprocity, exchange, etc).

2.2 Genetic fitness in sociobiology

Sociobiology has looked at the concept of altruism and the interrelations with the Darwinian theory of evolution by natural selection. Sociobiologists look at life as a series of choices in which the individual strategically evaluates the potential benefits and costs of alternative behaviour to finally choose the alternative with the maximum yield (Baker 2008). The first contribution came from the work of E. O. Wilson, an entomologist who had tried to explain the origins of altruism, in his book “Sociobiology: A new synthesis”. Wilson argued that altruism was embedded in the genes. But, if this was a genetic behaviour than how could this be transmitted through Darwinian natural selection? Wilson answered this dilemma by employing the mechanism of “kin selection”. In fact he argued that the individual is not even altruistic, but “selfish”. He further argued that most of the behaviours are results of polygenetic factors involving more than one gene (he called this “inclusive fitness”). Relatives share a good proportion of common genes so individuals who sacrifice themselves would do so to transmit their “sacrificing” genes over the next generations. William D. Hamilton argued that in a competing environment the person’s genetic fitness is increased by behaving more altruistically towards their children, grandchildren, siblings or anyone else who carries a relatively high proportion of their genes as this would increase their Darwinian fitness (Hamilton 1964; Hamilton 1972).

The drawback of this theory is that it may only apply to relatives (therefore sociobiology has been nicknamed as the “biology of nepotism”). This was the main reason leading Robert Trivers to introduce the complementary concept of “reciprocal altruism” (Trivers 1971; Trivers 2006). According to this concept non-relatives behave altruistically towards each-other knowing that the others will also behave altruistically towards them. In this case an individual initially gives transfers to its kin members not discriminating between them. After a couple of potential exchanges he/she engage in long-term reciprocal exchange only with those individuals who reciprocate.

2.3 Gift giving and reciprocity in anthropological studies

Social anthropologists argue that gift giving “... involves the bestowing of services or goods by one individual or group upon another without expectation of an equivalent or formal return” (Beals 1970, p. 232). Gift giving is common in most of our societies (even the most developed ones) and it is a way of establishing informal social relationships or an expression of friendliness. Often gift giving is accompanied by a return gift. The return gift may not necessary be an equivalent of the first gift and often implies the continuation of the social relationship. In fact, many argue that reciprocity “...appear to be the underlying principle of gift exchange” (Komter 2004). Geoffrey MacCormack (MacCormack 1976) argues that the terms ‘reciprocity’ and ‘reciprocal’ are often used in the same context as ‘gift’, ‘counter gift’, or ‘exchange’ and it is not clear whether they are synonyms to the later ones or simply express extra qualities not given by them. In fact, there exists a difference between how reciprocity is viewed by social anthropologists and economic anthropologists (discussed in the next section). Marcel Mauss (Mauss 1969) argues that gift giving is considered reciprocity when operates under the principle “...to give, to receive and repay” (Mauss 1969, p.80). As such, reciprocity is considered “ a more general exchange principle governing besides economics social organization and kinship” (Erickson and Murphy 2008).

Polanyi (1957) has been one of the first researchers in social sciences stressing the point that reciprocity in gift-giving differs from the strictly market exchange in economics. From his point of view, reciprocity in modern industrial societies is seen mostly in family and inter-household relations, and in general is defined as a reciprocal exchange of goods and services constituting an integral component of long-term relationships. From his perspective, reciprocity is a set of socially obligatory gift-giving, representing material expressions of the relationships of kinship and friendship.

Along the same lines, Serge-Christophe Kolm (2002) defines reciprocity as “*treating the others the same way they did treat you, just because of this particular fact and not as a result of an expected or pre-agreed exchange*”. It is argued that reciprocity differs from the concept of exchange (‘quid pro quo’) used usually in economics as it proceeds from a set of “internal” obligations (i.e. to give, to receive, and to give back) driven by norms or collective values, and group or social pressure (Kolm, 2000). In fact, Kolm argues that a family is neither a ‘paternalistic entity’ á la Becker and nor an exchange á la Chiappori,⁴ but it represents a dense and intense network of various reciprocities in sentiments and conduct. In this context the commands and exchanges are embedded in larger relations of reciprocity among the family members (Kolm 2006).

Serge-Christophe Kolm (2006) further argues that as reciprocity mainly refers to gifts, motives driving reciprocal giving relate to the motives behind altruistic or non-altruistic private transfers (see Figure 1). The motives of reciprocal giving fall in three distinct categories which can be labelled as: ‘liking reciprocity’, ‘comparative reciprocity’ (balancing, matching or compensatory) and ‘continuation reciprocity’. According to this categorization, ‘liking reciprocity’ refers to the situation where a gift is made because of: 1) reciprocity in liking, or in other words as we tend to like those who like us and this liking induces reciprocal gifts⁵, or 2) liking reciprocity in giving, or returning a gift because we like the person that

⁴ See also Chiappori, P.-A. (1988). "Rational Household Labor Supply." *Econometrica* 56(1): 63-90 and Browning, M., F. Bourguignon, et al. (1994). "Income and Outcomes: A Structural Model of Intrahousehold Allocation." *The Journal of Political Economy* 102(6): 1067-1096.

⁵ Liking is based in a series of interrelated outcomes that relate to previous actions and sentiments like: affection, liking to be liking, being the object of attention, approval, passion, etc.

gave (and that person gave a gift because he/she likes us). The explanation for the second motive, comparative/balancing/matching, assumes that individuals return gifts or favours because they are aiming to balance between what they have benefited and what is provided in return. The gift in this case reduces some inequalities in the relationship and the giver reciprocates the gift often from a feeling a moral debt towards the initial benefactor (by balancing his/her gift). Kolm calls this ‘pure reciprocity’ as this is related purely to the first act of giving and does not depend on other motives or feelings. The last motive, the continuation reciprocity, is driven more from selfish behaviour. The main aim of the gift is to induce a return gift. This motive has more resemblance with the exchange hypothesis as assumes that the reciprocal gift is a means for inducing further gifts in the future.⁶

More contributions to the discussion on family transfer motives come from the work of sociologists studying reciprocity ‘norms’. Alvin Gouldner (Gouldner 1960) describes the reciprocity norm defining “...*certain actions and obligations as repayments for benefits received*” (p.170). Others look at it as the norm that “...*prescribes that one should help those who have helped him/her in the past and retaliate against those who have been detrimental to his/her interests*” (Marco, Marcello et al. 2003). Vern Bengtson argues that in family life intergenerational norms of reciprocity norms are very high. These norms are based on the rule that one should care for own family in times of need, being this care independent from gains from the same relationship in the past or the future. In the family perspective they are materialized in two main forms; *obligation* toward own children/parents (Kalmijn 2006) and *reciprocity* norm. The *obligation* toward children and parents is considered the strongest norm in the family (norms towards children are consider even stronger than the ones toward parents). Another derivation of reciprocity norm mentioned earlier is also the *indirect (serial) reciprocity* (Arrondel and Masson 2001), which involves more than one generation. This implies that norms and their consequences are passed on from one generation to another.

2.4 Family solidarity and intergenerational support in sociology

The work of sociologists on family transfers have been focused on intergenerational relations. They define the concept of intergenerational family solidarity as the “social cohesion between generations” (Bengtson and Oyama 2007). Previous authors have referred to this as family unity, family coherence/integrity, or family solidarity and the concept builds on the findings of social psychology of small group and family cohesion (Jansen 1952). Vern L. Bengtson (Bengtson 1993) argues that such solidarity “...*reflects norms of 1) filial piety, 2) reciprocity, 3) altruism and 4) self-interest (individuals expectations for their future)*” (Bengtson 1993, p.21).

Table 2. Family solidarity types and indicators

| Solidarity | Manifestation | Indicators | Empirical measures |
|------------------|--|------------------------------------|--|
| 1. Associational | Engagement and interaction in various activities | Contacts with other family members | Frequency of: 1. face- to-face, 2. telephone, 3. mail, etc |
| | | Participation in common activities | Frequency of: 1. recreation activities, 2. special occasions, etc. |

⁶ See also Kolm, S.-C. (2006). Reciprocity: Its Scope, Rationales, and Consequences. Handbook on the Economics of Giving, Reciprocity and Altruism. S.-C. Kolm and J. M. Ythier: 371-541

| | | | |
|----------------|---|--|--|
| 2. Affectional | Positive sentiments about family members | Affection for family members | Perceived ratings of: 1. warmth, 2. closeness, 3. understanding, 4. trust, respect, etc. |
| | | Reciprocity in positive sentiments | Perceived ratings of: 1. reciprocity in sentiments |
| 3. Consensual | Agreement on values, attitudes or beliefs | Concordance on specific values, attitude and beliefs | Perceived ratings |
| | | Similarity in values, attitudes, and beliefs | Perceived ratings |
| 4. Functional | Exchange of services or assistance | Assistance or help to family members | Frequency of: 1. financial, 2. physical, 3. emotional |
| | | Reciprocity in exchange of resources | Perceived ratings |
| 5. Normative | Commitment to norms of familial roles and obligations | Importance of family roles | Perceived ratings |
| | | Strength of filial obligations | Perceived ratings |
| 6. Structural | Opportunities for intrafamily relationships | Residential proximity | Physical distance |
| | | Number of family members | Number of siblings, cousins, other members. |
| | | Health conditions | 1. Health rating 2. Invalidity 3. Chronic illness, etc. |

Source: Bengtson, V. L. (1993). Is the "Contract Across Generations" Changing? Effects of Population Aging on Obligations and Expectations Across Age Groups. The Changing Contract Across Generations V. L. Bengtson and W. A. Achenbaum. New York, Walter de Gruyter, Inc.

Family solidarity from this perspective includes a few dimensions of solidarity consisting mainly in the extent of interactions between family members. Jansen (1952) argued that these interactions included: 1) agreement, 2) concern about each-other, 3) cooperation, 4) enjoyment of each-other company, 5) affection, 6) esteem for each-other, 7) interest, 8) and confidence. Focusing on the intergenerational relationships, Bengtson (1978) refined the categories in five dimensions (Table 1): 1) structural solidarity - factors facilitating or constraining the interaction of family members (i.e. physical distance), 2) association between family members (i.e. activities carrying out together), 3) affection showed (i.e. emotional support to each-other), 4) consensus (agreement on main values or life styles), 5) functions (help and support exchanged), 6) norms (degree of obligation towards other members of the family). Each of these dimensions contributes to the degree of solidarity within the family.

3. Motives for private transfers in economics

The economic literature focuses mainly on, money and services exchanged within the family. Again, the main focus is on the intergenerational solidarity and on explaining the main motives behind the private transfers and their implications for the individual and household welfare. The literature is mostly centred on how the market and home goods (i.e. house works) are produced and distributed among the members of the family (Becker 1974; Becker 1981). In the past decades the discussion on the motives of transfers, or as often called in economics interdependent – or some time transferable - utility (Bergstrom 1994), is dominated by two main arguments: ‘altruism’ and ‘exchange’. The arguments are based on

the fact that human beings can take the roles of either ‘altruistic’ or ‘egoistic’ unities. The derived consequences from these behavioural changes serve as a basis for the main economic models of family transfers.

3.1 Altruistic transfers in economics

In the last years economists have tried more often to incorporate the altruistic motives in the neoclassical models. Adam Smith in his best known book “The Theory of Moral Sentiments” (1969) states that there exist some principles in the nature of even the most selfish man making him interested in the fortune of others although “... *he derives nothing from it except the pleasure of seeing it*”.⁷ Gary Becker has studied altruism motives driving transfers within the family. He argues that economists commonly take tastes as given and assume that the self-interest dominates all other motives. But, there is something else beyond self-interest and this is related to genetic selection and altruism (Becker 1981). In this context, a person is considered to be *altruistic* with respect to another person if his/her welfare depends on the welfare of this other person. Based on this definition, economic literature describes the altruism model as a model where for example parents care for wellbeing of their children, or in other words they receive utility from their own consumption and also from consumption of their children. Consequently, the parent (or the head of the family), may choose to transfer resources to needier family members because of altruism. A distinguished feature of this model is the fact that during the lifetime a needy member of the family will receive more than she gives. If this hypothesis holds in empirical terms, then some characteristics of the needy receiver should be directly related to the extent of financial transfers, (like a drop in incomes, sudden illness leading to psychological or financial consequences, etc). The model assumes that the parent, for instance, will substitute for any drop in the wellbeing of their children due to unsatisfied needs. This form of altruistic behaviour can also be generalized for other relationships between a potential donor and a beneficiary and is usually classified as “paternalistic altruism”. One of its distinguished features is that from the level of potential motivations, the number of donors does not really play a great role. On the other hand, if we need to analyse the behaviour of donors/recipients in a multi-actor context than the number of them and the respective interactions may turn to be crucial. Another debatable point of the model is the assumption that parents may observe at any time the well-being level of their children, and would consequently intervene to cope for any deficiencies. Even if this was the case, altruistic behaviour would create disincentives for the child. In fact Becker (1981) argues that this might lead the children to reduce their effort in income-generating activities knowing that they will be backed-up by their altruistic parents (who can only observe the drop in incomes). Becker argues that even such “selfish” children would still be interested in maximizing the utility of the family as a whole (even though their welfare depends only in own utility from consumption) and this is widely known as ‘the rotten kid’ theory.⁸

3.2 Egoistic transfers in economics

The academic discussion on altruistic behaviour orbits around the fact whether most altruistic acts can simply be justified by implicit egoistic reasons. Many researchers still struggle to prove whether we can ‘translate’ each of so-called altruistic gifts in terms of other

⁷ Smith, A. (1969). *The Theory of Moral Sentiments*, Indianapolis: Liberty Classics.

⁸ The critiques of the ‘rotten kid’ claim that one of the main drawbacks of this theory is that it fails when it comes to consider the case of ‘asymmetric information’ (see also Bergstrom 1989, for a more detailed discussion).

self-interest driven behaviour. The recent experiments in social psychology research favour mostly the existence of the altruistic part of human nature. As Pilivian and Charng (1990) put it: “...*true altruism – acting with the goal of benefiting another – does exist and is a part of human nature*”. Yet, many agree that observing altruistic behaviour in its ‘pure’ form is very rare and in most of the practical actions is usually combined with other motivations. In fact, many economists have tried to explain the acts of giving using a “selfish” or “strategic” interpretation mostly referred as “exchange”. In trying to test empirical altruism Cox (1987) used data from US President's Commission on Pension Policy Survey. He found a positive correlation between the transfers and the wealth of the recipient, which suggested the presence of some other non-altruistic motives. Using incomes as an indicator of wealth, Cox concludes that the transfer do not necessarily decline with the increase of the recipient's incomes. He suggests that utility of the transfer's donor is not only dependent on the consumption of both himself and the recipient (as the altruism model suggests), but depends also on services received by the recipient. The types of services that Cox is referring relate to help with home produced products that incorporate also the attention versus the donor (parents in his case), companionship, and conformity with the paternal behaviour and norms. This is an important feature of these services as it distinguishes them from the other services for which the market can provide substitutes.

On the other hand, Bernheim, Shleifer and Summers (1985) have looked at the ‘strategic bequest’ motive focusing on bequests that parents leave to their offspring. The basic concept behind their theory is that people pursue their self-interest through exchanging within the family and that this is enforced by explicit economic incentives. In other words testators influence actual behaviour of their potential beneficiaries through promised future bequests, ‘rewarding’ or ‘punishing’ them accordingly. One of important features of this theory is that it implies that parents using future promises impose some enforceability of exchange within the family. In the ‘rotten kid’ model developed by Becker (1981) it is assumed even the most selfish children would be provided with optimal incentives through altruistic behaviour of their parents (see above). Another important consequence of this theory is that implies that the parent will have a strong role on the decision made by their children, and consequently will influence important decisions related to education, marriage, migration, etc.

Based on these later implications, a series of other papers has elaborated more on the exchange hypothesis. These papers have defined support flows as driven by exchange relations taking forms of: *delayed exchanged* (parents invest in children when they are young and they “repay” back” when grown up), *strategic bequest* (children support their parents when these ones are old so they can receive money/property after their death), and the *direct exchange* (children and parents exchange goods and support in the same time – i.e., services for transfers).

Other elaborations of exchange motives and ‘egoist’ approaches come from researchers that consider family as a source of capital. Cigno (Cigno, Giannelli et al. 1998) argues that if we assume absence of altruism motives in family exchange, then transfers from the middle aged to younger generations can as well be considered as loans, while transfers in the opposite direction as repayments of these loans. Taking this approach Masson and Pestieau (Masson and Pestieau 1997) propose a general distinction of family transfers into three types; accidental, voluntary, and capitalist ones. They argue that *accidental transfers* occur because of deferred consumption and precautionary causes. Because of uncertainties of the individual's life cycle and imperfections of capital markets individuals cannot (completely) smooth out their current incomes during the life span. A consequence of this phenomenon is also unspent income that remains versus the end of one's life. Of course, if we assume perfectly efficient capital markets, this problem will be resolved (i.e., by the provision of

annuities), and these types of transfers will be very rare. The *voluntary transfers* and the *capitalist ones* are described as driven either by the motives of altruism or exchange and are also explained above.

3.3 Family transfers as public goods

Considering that intra-family transfers are mostly seen as contributions to public goods (i.e. transfers to children or younger generations by their parents) they have important policy implications and have received a lot of attention. In this sense, families are substituting for capital markets, children care, and other public goods which cannot be provided by governments or markets. In countries where such services are missing intra-family transfers are seen as a part of risk sharing strategies.

In fact, if we consider family transfers as contributions to public goods, than transfers predicted by altruism theory (and to a greater extent also exchange theories) are subject to a “crowding-out” effect over public provided transfers (i.e. if enough resources to cover the effect of negative events are available through alternative public or private transfers or if the services are provided from other sources than the intergenerational transfers can be easily substituted). Yet, many researchers studying intra-family transfers (Guth, Offerman et al. 2002; Kohli and Künemund 2003) observe that even in those countries where such public transfers/services are available, the private transfers do not completely disappear. This fact calls for more attention to other motives that can complement (or even substitute) altruism and exchange. Following this logic, James Andreoni (Andreoni 1989; Andreoni 1993) extends the altruism hypothesis to the “*impure altruism*” hypothesis or to the “*warm glow*” hypothesis. Andreoni argues that people usually contribute to a certain public good because of two reasons; the first being because they simply demand for more of this public good (what is called from Becker’s model the “altruistic” reason), and the second being because they benefit some private goods from their gifts as well. Consequently, he implies that utility of donor is dependent not only on total amount of the utility of both the donor and the recipient, but also on the act of giving itself. In this case, the parents do not only care directly for the well-being of their children but care also for the fact that they are giving to their needy children. In fact, if a parent acts according to the “warm glow” principle than the transfer is less dependent of the characteristics of the child. Andreoni argues that the “crowding out effect” of the private transfers by public social transfers will never be complete, as behaving according to the “warm glow” principles makes the private transfers an imperfect substitute for the public ones.

3.4 Reciprocity in economics

Reciprocity has been also explored in economics. The definition used here is not different from the one used by social anthropologists. Fehr and Gächter speak of reciprocal behaviour as “...*a desire to be kind or hostile in response to kind or hostile actions*” (Fehr and Gächter 1998). Similarly Falk and Fischbacher define reciprocal people as the ones who “...*reward kind actions and punish unkind ones*” (Falk and Fischbacher 2006). What distinguishes these behaviours from purely selfish behaviour is the fact that people reciprocate such actions even if no gains can be expected in return. In everyday life we often reciprocate gifts to complete strangers even knowing that we will (almost) never meet them again, or take revenge even knowing that such actions would also harm us. In ultimatum games⁹ for

⁹ Ultimatum games take place between two players A and B who have to divide a fixed amount. The proposer A offers a certain share to the responder B who can accept or reject it. If B rejects the offer, both A and B receive nothing.

example often low offers are rejected by the respondents (Güth and Tietz 1990; Güth 1995; Hoffman, McCabe et al. 2008), or in trust games¹⁰ participants reward the kindness of the first player (Anderhub, Engelmann et al. 2002; McCabe, Rigdon et al. 2003; Pillutla, Malhotra et al. 2003).

The discussion on whether reciprocal acts can be attributed to purely selfish behaviours or to something else has been the centre of most of the theoretical models and empirical/experimental tests in economics. Such models often treat reciprocity as a series of repeated interactions where prosocial behaviour could be achieved as a stable equilibrium between purely selfish actors. The self-interest of even the most selfish players coincides with the self-interest of the other players, and reciprocity therefore is the situation where everybody gains (Schokkaert 2006).

3.5 Other views

Other views and theories of intergenerational and family relationships have been presented over the years. Looking beyond economical motives, Cox and Stark (1994) have explored the hypothesis of ‘demonstration effect’ as one of reasons for the financial transfers between parents and children. They stress the point that other theories of intergenerational transfers may not always explain motives behind such transfers. Consequently, if we believe that other motives (as the exchange or rewarding/punishment by means of anticipated future bequests) may only mildly change the behaviour of children, than there might be other reasons to believe that parents have also other reasons to transfer to their children. They introduce the idea of ‘preference shaping’, which hypothetically should be a mechanism that is used by parents (in this case) for reinforcing and securing the exchange and support from their offspring generations. The ‘demonstration effect’ assumes that parents demonstrate to young generations the way they should behave by setting them an example. The example is their benevolence towards elder generations, or grandparents. In other words, the presence of the child and her/his characteristics would affect frequency and extent of transfers from parents to grandparents.

4. The empirical evidence on intergenerational and family transfers

The available empirical work investigating rationales behind family transfers has been rapidly growing in the last decades. The increased interest in understanding family processes, the latest development in theoretical work, and availability of data for more countries have been the determinant factors in attracting more researchers to investigate these relationships.

Yet, despite the growing body of evidence, summarizing the findings within the same framework would be a challenging task that would require a consensus on some fundamental issues, like; variability in the design and collection of the questionnaires, differences in defining the family transfers, the extent of the details available on characteristics of both the donor and the receiver, differences in institutional frameworks for countries where data are collected, and also the variability of technical tools used in these analyses.

¹⁰Trust games are also played between players A and B. The first player A may choose between non-cooperating or trusting the second player B. When the first player A decides to trust player B, the later may decide to respond back to player A by choosing between exploitation or rewarding.

The vast majority of empirical papers concentrate on testing two basic hypotheses of family transfers: the altruism and the exchange. Table 1 gives an overview for some of the papers studying the family transfers, their focus and their main findings.

Most of the studies focusing on the general aspects of the family transfers have found that monetary transfers within a family flow primarily from old to young generations (Altonji, Hayashi et al. 1992; Cox and Rank 1992; Gale and Scholz 1994; McGarry and Schoeni 1995; Altonji, Hayashi et al. 1997). Gale and Scholz (1991) also find that the probability of giving inter-vivo transfers increases with age, peaking at ages 55 -64. This is also supported by other studies suggesting for an age effect on the probability of transferring to children.

In general, most of the findings on inter-vivos transfers suggest for parents to children altruism motives (McGarry and Schoeni 1995; Dunn and Phillips 1997; McGarry 1997; Barnett-Verzat and Wolff 2002; MacDonald and Koh 2003). According to these facts, parents' transfers to their children appear to be sensitive to any drop in children's incomes. These models test for altruism motives (fluctuations in receiver's income has been used very often as a test of altruism model), and also other exchange motives (i.e. other services exchanged between the two parties). Rosenzweig and Wolpin's (Rosenzweig and Wolpin 1993) found that a \$5,000 increase in the adult child's earnings reduces the probability of co-residing by 11.1 percent and reduces the probability of receiving a monetary transfer while not residing at home by 10.9 percent. Altonji et al., using data from the Panel Study of Income Dynamics in the United States found that the respondent's income has a negative effect on the amount of transfers received from parents (Altonji, Hayashi et al. 1992). McGarry and Schoeni (1995) using data from Health and Retirement Study reveal that larger financial transfers are given to adult children with lower income, and this result holds when they look within families by controlling for family fixed effects (McGarry and Schoeni 1995). Dunn and Phillips (1997) using data from Asset and Health Dynamics of the Oldest Old study also find that inter-vivos transfers are more likely to be given to poorer children within a family, but that children of different income levels are equally likely to receive parental transfers at the time of the death of a parent.

A series of other papers suggest that there is something more than altruism going on between family members. Many papers find that exchanging financial transfers for transfer of time and care is also a strong and evident motive for intergenerational transfers (Cox and Rank 1992; Cox, Eser et al. 1996; Light and McGarry 2004; Koh and MacDonald 2006). Usually the evidence shows that time is exchanged for money, but there are also a couple of studies suggesting that there is a flow of money that people invest for building their children's human capital. Most studies focusing on human capital aspects have found that individuals with more years of schooling give and receive greater amounts of money transfers (Cox and Rank 1992; Lillard and Willis 2002, Barnett-Verzat and Wolff 2002; Kalmijn 2005;). Parents who transfer more to their children are also parents who invest more in their children. Using a sub-sample from Netherlands Kinship Panel Survey data Kalmijn (2005) finds no clear evidence that the educational differences play a role in the financial exchange within the family.

5. Giving to family and friends and the role of economics

The explanations of the motives behind transfers to kinship and friends certainly require a multidisciplinary approach. Economists have already starting using the evidence

found by other disciplines to explain the consequences of such motives in the context of individual self-interest driven behaviours. However, the evidence brought over the last decades shows that individuals may also have good reasons to transfer to their family or non family members even when the gains are not immediate or clearly visible. Altruistic behaviour is accepted now more and more among economists as a possible motivation for [private transfers to family and friends. But accepting such motivations is only one step. The next step is to understand how individuals would adapt their transfers to family members when multiple givers/receivers are involved. Economics may use the recent findings of other disciplines to explain the substitutability or complementarity of transfers over family members and friends. For example the new evidence on altruistic motives raises further questions on how individuals will adapt their giving behaviour when they have to deal both with family and friends? Would transfers to/from such members serve as substitutes or complements to transfers to/from friends? How would transfers from benevolent individuals change when similiar family members are involved? Interactions and transfers are also often spread over time and over multiple family members and/or friends. How would the transfers of benevolent individuals change in this context? How do these transfers change if they move in another place?

The next sections give the evidence that exists on family transfers among different family members (i.e. between own children), non-family members (i.e. family and non-family members) and also over time and space.

5.1 Transfers over different children

Inter-vivos transfers from parents to children are certainly the most intense transfers within the family. Transfers usually involve money, time or other resources and can be very complex, especially if multiple children are involved. But, what would happen if multiple children are involved and when the parents need to decide on whom to transfer and what? Would the transfers to a child be dependent on the transfers to the other?

From the basic form of the altruism model (see Appendix 7.1) the utility function of each parent could be written as:

$$U_p = U_p(c_p, U_{k1}(c_{k1}), U_{k2}(c_{k2})), \quad (1)$$

where U_p is the utility of the parent, c_p is the consumption of the parent, and c_{k1} and c_{k2} are the consumption of child 1 (k_1), and child 2 (k_2). On the other hand, the consumption of the child 1 and child 2 is determined by their own incomes y_{k1} and y_{k2} as well as the transfers from the parents t_{k1} and t_{k2} (where t indicates the transfers to child 1 and 2). The budget constraints for the parent, child 1 and child 2 (under the assumption that the price of the gifts is equal to 1) will consequently be written as:

$$y_p = c_p + t_{k1} + t_{k2} \quad (2)$$

$$c_{k1} = y_{k1} + t_{k1} \quad (3)$$

$$c_{k2} = y_{k2} + t_{k2} \quad (4)$$

This is under the assumption that the parent can choose independently on the allocation of gifts to child 1 and child 2. But if we assume that the parent divides his/her total gifts between child 1 and child 2 then the total amount of gift T which is the sum of the gifts to both children ($T = t_{k1} + t_{k2}$), can be written as:

$$T = (\alpha)T + (1 - \alpha)T \quad (5)$$

where the coefficient α represents the extent of transfer substitutability between the children. The maximization problem for the parent p doesn't change much and becomes:

$$\max U_p = U_p(c_p, U_{k1}(c_{k1}), U_{k2}(c_{k2}))$$

$$\text{s.t. } c_p + c_{k1} + c_{k2} = y_p + y_{k1} + y_{k2}$$

Of course, this theoretical setting becomes more complicated when different types of transfers are brought into the model and when the interdependency of all these inter-vivos transfers from the parent to both children are taken into account.

Previous studies have focused more on the distribution of bequests from parent to their children. This evidence shows that parents distribute equally the amounts left to their children (Menchik 1980; Dunn and Phillips 1997; Jellal and Wolff 2007). This fact questions the proposition of the altruism model stating that the needy get more in terms of transfers (so that they can compensate their drops in utility). Light and McGarry (2004) mention that often parents tend to play 'favourite' by giving unequally transfers to their children. They look specifically at bequests (real estate) and explore questions on the reasons of giving equal/unequal transfers. They analyse the reasons behind transfers of bequests and mention among other motives; altruism (people give transfers according to children's needs), exchange (particular children have given more than others in earlier relationship), evolutionary (favouring biological children), and equality (children are seen equally).

The evidence on simultaneous inter-vivos transfers is still mixed. Studies looking at intergenerational altruism show that inter-vivos transfers are used from parents to equalize children's welfare (McGarry and Schoeni 1995; Dunn and Phillips 1997; McGarry 1997; Barnett-Verzat and Wolff 2002; MacDonald and Koh 2003). This effect derives directly from the altruism hypothesis according to which altruistic parents tend to transfer to the needier children. These kind of transfers are often called 'compensatory' transfers (compensating for drops in the utility of children).

But parents do not only transfer to the needy child. Stark and Zheng (Stark and Zhang 2002) argue that in fact parents may choose to transfer non-compensatory inter-vivos to their children. Parents may simply support the more competitive children relying also on the between-siblings altruism. An additional reason that may lead parents to transfer non-compensatory transfer may also be the equity concern towards all children. This latter one may lead parents to transfer to all of the children simultaneously.

Bernheim and Severinov (Bernheim and Severinov 2003) develop a theoretical model showing the distribution of parent's transfers to multiple children when information is available to all parties. They conclude that transfers tend to be equal when they are observable to all children, and that the same argument could be brought to argue for unequal distribution of inter-vivos transfers.

Economists have managed to test hypotheses like altruism or exchange when transfers are directed to one of the family members (usually one of the children). However, interaction of family members tends to be multidimensional and transfer types tend to be related to each other. Moreover, family members consider more than one family member when deciding to interact and transfer. Testing for altruism or exchange reveals only a part of the nature of these transfers, other dimensions are still to be explored.

5.2 Transfers over relatives and non-relatives

The transferring web becomes even more complex if other non-relatives are considered. While generally in economics, altruistic or non-altruistic models are primarily studied based on intergenerational relations people have also interactions with their non-family members of kinship networks. The incidence and the amount transferred to non-family members tend to depend much more on the institutional setting of the particular country but evidence shows that such transfers are not to be neglected even in the context of countries with developed social welfare systems.¹¹

While evidence brought from other social sciences has shown that theoretically motives for private transfers to non-relative members may differ from those for more close relatives (Hamilton 1964; Trivers 1971), the question here is how differently will individuals behave towards other members of their kin. While it is true that feeling of guilt and shame reinforce kinship or group numbers and these in return may enhance caring and altruism (Cox and Fafchamps 2006) or reciprocity (Mitrut and Nordblom; Fehr and Gächter 1998; Fehr, Kirchsteiger et al. 1998; McCabe, Rigdon et al. 2003) even among non-family members (see also Annex 7.2) a couple of questions still remain. Would the same persons behaving altruistically towards their offspring behave the same also towards their non-family kinship members? Would individuals behave altruistically towards all members of their kinship, or would the scarcity of resources constrain them in a strategic allocation of resources among them?

James Andreoni (Andreoni 2007) explains that altruism towards multiple members of a group can be congestible.¹² In other words this means that altruism towards each member of the extended network of family and friends will depend on the number of people in this network. Andreoni argues that individuals will still behave altruistically but the amount given to each person will decline. A very important aspect here is the identification of the other individuals as members of a group (Andreoni's approach assumes that individuals treat similarly the individuals within the group). However, it is not very clear how people will treat relative and non-relative in these circumstances. Will for example children and friends be complements or substitutes to each other. Will people still be reciprocal to their friends even when the number of children increases?

5.3 Transfers over time and space

Time affects the relationships and transfers between relatives and non-relatives. Past transfers are certainly correlated with the present ones. Moreover, changes affecting the structural settings of kinship networks can also affect the patterns of transfers. One of the main factors affecting people's kinship networks is certainly non-circular migration (being this internal or international) (Blumberg & Bell, 1959). Duke-Williams (2009) argues that mobility and migration are key drivers in changes in households. Previous studies have shown that permanent internal migration has pervasive effects on families and kinship networks. Peoples' mobility contributes to the separation of households and the creation of new

¹¹ Using the US Panel Study of Income Dynamics Robert Schoeni (Schoeni 1997) showed that 2 per cent of individuals in the sample give a money transfer to their friends, and 1.5 per cent of them receive from them. Cox et al (Cox, Eser et al. 1996) using data from Peruvian Living Standards Survey, found that around 14.2 per cent of individuals exchanged with their non-relatives.

¹² In his paper "Giving Gifts to groups: How altruism depends on the number of recipients" Andreoni explains that for an average altruistic person a gift of the amount x given to another person is equivalent to the one given to a Group where everybody receives x/n ^{0.68}.

households. Networks of support also change and the role of the closest family members may increase or decrease. From an economic perspective it is important to see how people will adapt to these changes by changing the combination of family members on whom they rely upon or by “opening up” to new non-relatives.

6. Final remarks

Motives for private transfers are studied extensively from psychology, sociobiology and anthropology. Sociologists on the other hand have constructed models of family solidarity taking into account many different aspects of family and non-family exchanges. In the last decades economists have become more interested in explaining the particular behaviours that trigger the support between family and non-family members, and the complexity of such support. For this they have continuously borrowed concepts like altruism or reciprocity from other social sciences. The altruistic behaviour is more and more accepted in the light of the new findings. But accepting such motivations is only one step. Economics may exploit its comparative advantages over other disciplines in understanding how the interactions between family members may affect such motivations, and how this in return may influence the transfer patterns between the same family members.

Economic models up to date are mostly used to test hypotheses like altruism or exchange when transfers involve one of the family members (usually one of the children). Yet the multidimensional aspect of transfers and the interdependence of relationships between family members and friends have shown that there is much more to say about the reaction of such transfers in these situations. Testing for altruism or exchange reveals only a part of the nature of these transfers, other dimensions are still to be explored. Economic models may certainly explore whether people tend to see giving to family and friends as complements or substitutes, or whether different transfers will be used as complements or substitutes to each other. Moreover, in the same line, from an economic perspective it is important to see how people will adapt their transfers to other relatives or non relatives over time or when facing structural changes in their networks because of phenomena like migration. Blumberg and Bell (1959) argue that rural to urban migration changes the structure of kinship relationships.

7. Appendixes

7.1 Altruism and exchange in economics

From an economical perspective a person is considered *altruistic* with respect to another if his/her welfare depends on the welfare of this other person. This definition implies that for example altruistic parents will care for the wellbeing of their children, or in other words they will receive utility both from their own consumption and also from their children's consumption. In this case the utility function is written as:

$$U_p = U_p(c_p, V(c_k)), \quad (1)$$

where U_p is the utility of the parent, c_p and c_k are the consumption of the parent (p) and the child (k). On the other hand the consumption of the child is determined by his/her own incomes y_k and transfers from the parents T . The consumption function of the child is therefore:

$$c_k = y_k + T, \quad (2)$$

Of course, this model is a static model that does not take into account incomes or consumptions in the periods different that t , and therefore savings are excluded.

The above model of altruism has been used for a long time to test for intergenerational relationships and the altruistic motives behind them. Cox and Rank (1992), developed this model further in order to test the hypotheses of altruism and reciprocity. In their model they introduced also the concept of the services exchanged between the two individuals (the donor – the parent in this case, and the recipient – the child). The utility function of the donor in this case is:

$$U_p = U(C_p, s, V(C_k, s)), \quad (3)$$

where s now denotes the services provided to the parent by his/her own child. Cox and Rank note that this equation features both altruism and exchange hypotheses.

7.2 Reciprocity in economics

Reciprocity in economics is usually defined as rewarding kind actions (i.e. by reciprocating a gift) or punishing unkind ones (i.e. by not transferring a gift to some one who have not reciprocated in the past). In the perspective of a two person relationship this would be the situation where each of them respectively transfers g_{ij} and g_{ji} where g is a vector of different transfers (i.e. financial, services, advice, etc). The utility function of individual i would be expressed in terms of own endowment X_i , other person's endowment X_j , own gift to the other person g_{ij} , and the gift received back g_{ji} :

$$U_i = U_i(X_i - g_{ij} + g_{ji}, g_{ij}, g_{ji}, X_j + g_{ij} - g_{ji}), \quad (4)$$

The inclusion of the other person endowment is considered as altruism towards the other individual (utility U_i therefore increases when the amount of gifts increase). The inclusion of the own gift (to the other person) may indicate personal motivation for transfers (i.e. duty or moral obligations) while the inclusion of the other person's gift indicates preferences on reciprocity values (i.e. balance, matching, compensatory, etc).

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9. Annexes

Table A.1 Empirical evidence on motives for family transfers

| Author | Year | Data | Relationship/Focus | Flow of transfers | Hypotheses tested for | Main findings |
|---|------|---|--|--|--|--|
| Cox D., Rank M. R. | 1992 | US National Survey of Families and Households 1987-1988 13017 hhs included Gifts received over the past five years from relatives (parents, siblings, etc), contact and help during the actual year | Intergenerational transfers of money, and time | no information | Altruism Exchange | Findings suggest than the exchange motives are more likely to have driven the transfers rather than the altruism motives. |
| McGarry, K., Schoeni R. F. | 1995 | US Health and Retirement Survey (HRS) and Panel Study of Income Dynamics (PSID), 1988 17,859 children in the sample, of whom 3,661 live with a respondent and 14,198 live elsewhere 16,678 children aged 18 or over | Parent - child relationship Transfer of money and time between generations | HRS cash transfers to children living at home 25.1%, not living at home 20.4 % HRS cash transfers to parents living at home 16.8 %, not living at home 6.7% HRS time transfers to parents living at home 24.9 %, not living at home 6.7 % | Altruistic motives, and the relation between the incomes and the propensity for transfers. | Negative relationship between children's' income and transfers, suggesting for altruism motives. |
| Altonji J. G., Hayashi F., Kotlikoff L. | 1995 | US Pane Study of Income Dynamics 1988 The sample includes 3402 parent-child pairs | Inter-vivos financial transfers between parents and children | 20.2 % of the parents gave money transfers to their children 6.9 % of the parents co-resided with the children | Parental altruism | Generally a rejection of the altruism hypothesis. A reduction on parents income of 1 \$ reduces their transfer to children by less than 8 cents, and a reduction of 1\$ to the child's income reduces the parental transfer by less than 13 cents. |
| Cox D., Eser Z., Jiménez E. | 1996 | Peruvian Living Standards Survey 1986 2,241 urban hhs from a total of 5,109 hhs | Money transfers flowing from old to young ("downward transfers") and from young to old ("reverse transfers") | Individuals send 25.9% of the total amount to their parents, 32.9% to their children, 19.7% to other relatives and 14.2 to non-relatives. | Altruism and exchange, as well as the effect of the imperfect capital markets. | Increased propensity of receiving a transfer if the pre-transfer incomes increase indicating for the exchange hypothesis. |
| Dunn T. A., Phillips J. W. | 1997 | Survey of Asset and Health Dynamics among the Oldest Old in the USA The respondents are aged 70 or older 4,168 families and a total of 15,245 children (only two or more children) | Parent - child relationship Inter-vivos and bequests | 24% of parents have made a transfer of 500\$ or more over the past year 20% of parents have made a transfer of 5000\$ or more over the past 10 years 91% of the parents have a witness will | The equality of the parents versus their children in both inter-vivos and bequests | Cash gifts are less frequently given to all children and they are more directed towards poorer children Parents are most likely to name all children as beneficiaries of trusts, life insurance policies, and wills regardless of income differences among the children |
| Schoeni F. R. | 1997 | US Panel Study of Income Dynamics 1988 6,202 hhs Money and time help during last year | Inter-vivos financial transfers between parents, children and other family members | 3.1% of the individuals give a money transfer to their parents/in-laws and 17.6% receive, 5.3% give to their child and 0.9% receive, 1.7% give to their sibling and 1.7% receive, 1.7% give to other relative and 1.5% receive, 2 % give to their friend and 1.5% receive. 24 % of the individuals give a time transfer to their parents/in-laws and 20.3 % receive from them | The effects of income as a test of the altruism model | Annual earnings appear to be negatively related to monetary assistance received and time assistance given, Individuals in poor health receive more time transfers Some evidence of altruism, but the findings suggest for more motives |
| McGarry, K. | 1997 | US Health and Retirement Survey (HRS) and Asset and Health Dynamics Survey (ASET) | Inter-vivos financial transfers over the past years and | HRS – 28.9% of the families making a transfer to one of the children, and for AHEAD data is | Atruism | Evidence of altruism driving the inter-vivo transfers (the poorer children are supported |

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|---|------|---|---|--|---|--|
| | | HRS 6181 hhs and 18874 children over 18 and not living in the same hh ASET 4835 hh and 14249 children over 18 and not living in the same hh | bequest from parents to children. | 24.6% The probability of leaving a bequest is 55.4% | | more), while the bequests are not strongly related to current child's incomes. |
| Cigno A., Giannelli C., Furio C. R. | 1998 | The Bank of Italy survey of hh budgets 1991 24930 individuals and 8188 hhs Cash transfers bigger than 250 ECU to relatives outside the hh during last year | Bequests and inter-vivo between the relatives and friends Parents-Children | 16% % of hhs handed out 22% of hhs received 88% of the transfers from parents to children | Altruism Exchange Preference shaping | Altruistic and the simple exchange model appear to be contradicted by the data (very low effect of the donor's earnings and assets) A strategic self-interest model generates the data cannot be rejected |
| Cameron L., Cobb-Clark D. A. | 2001 | Indonesia Family Life Survey 1997 2000 1507 individuals with at least one child over 18 | Non-co residing children and their elderly parents | Of the non-co residing parents 70.2% of the women and 66.6% of the men receive transfers From the co-residing parents 52.9% of the women and 48.9% of the men receive transfers | Altruism from the children to their parents | Transfers from non-co residing children to their elderly parents do not seem to be strongly related to parental need. Financial transfers from children are not a substitute for the income support provided by the elderly parent's own labour market work. |
| Barnet-Verzat C., Wolff F.-C. | 2002 | Survey completed in 1992 in France on parental investments in children's education 5300 households with at least one child between 2 and 25 years Money gifts over past year | Parents - Children regular and irregular transfers | 74% of children between the age of 5 and 25 receive some money 85% of the youth get an allowance | Altruism Exchange Preference shaping (endogenous altruism) | Mixed evidence suggesting diversity in family motivations. Regular allowances are linked to human capital investments, whereas irregular transfers fall within the scope of altruistic transfers. |
| Lillard L., Willis R. J. | 2002 | Indonesia Family Life Survey 1993 7,224 households, individuals over 15 years were asked about their 15years and older children | Parent - child relationship Transfer of money and services between generations | Money transfers from the parent's couple perspective: To all children 43.5% From all children 55.2% Service transfers from the couple's perspective: To all children 5.3% From all children 6.3% | Exchange between money and time Transfers as form of insurance Repayment of education loans | The results are broadly consistent with the idea that money is exchanged for time But the low frequencies of such transfers suggest other motives Parents are more likely to transfer money to children when they are enrolled (suggesting for education loans) |
| Kohli M., Künemund H. | 2003 | German Aging Survey 1996 German nationals above age 55 2205 participants Financial gifts care for disabled persons, taking care of children or grandchildren, and instrumental help over the past year | Intergenerational family solidarity | 5.7% of the interviewed have received transfers from parents, parents-in-law, or grandparents, 30.2% have given transfers to kin, 27.2% have given transfers to children or grandchildren, 51.2% have given any kind of support to kin, and 43.8 % have given any kind of support to children or grandchildren | Altruism, exchange, conditionality behind transfers | In general women lean more toward unconditional and less toward conditional giving than men. Evidence suggesting for a complex pattern with a large amount of overlap and interaction among different motives |
| Light A., McGarry K. | 2004 | USA National Longitudinal Surveys of Mature Women and Young Women, 1999 wave. A sample of 3,300 mothers with at least 2 children age 18 or over having or not a will. | Bequests from mothers to their children | 1,682 report having no will, while 1,618 claim to have a will and report on the planned redistribution among their children. | Altruistic motives, exchange, and evolutionary motives for unequal giving. | Findings relate strongly the unequal distribution of the bequests among the children with the motives of altruism, exchange or biological evolution. The main determinants of these observed inequalities are poor of mothers, having non-biological children, and if her children's predicted incomes are especially different from each other |
| Witoelar F. | 2005 | Indonesia Family Life Survey 1997 2000 6752 households 7152 households | Extended family income pooling mechanisms | n.a. | Income pooling in extended families | Some evidence against income pooling within extended families, both in the static and dynamic settings. But the inter-household ties |

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| | | | | | | may be influential in shaping other household decisions |
| MacDonald M., Koh S.-K. | 2006 | Wisconsin Longitudinal Study 1992 - 1993 All adult children aged about 50 and their elderly parents. The sample used for the study is 2,653 individuals providing reports for themselves and their parents. Financial transfers over the past year. | Intergenerational transfers of money, and time | 3 % of the children have transferred to their parents, 21% of the parents have transferred a financial transfer to their child. | Altruism Reciprocity | Evidence supporting the altruism hypothesis for children to parents' financial transfers, and also exchange hypothesis for children with wealthy parents (transfer of services from children to them). Co-residence and care giving were not responsive to differences in parent's resources. |

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