

---

# How do Intergenerational Transfers Respond to Public Transfer Reforms?

Nancy Ge

## RESEARCH QUESTION

- Will reforms in public transforms affect the pattern of intergenerational transfers?
- Intergenerational transfer includes in-family support, such as time support, or financial transfer. It also includes beyond-family support, such as elderly volunteer. For this project, I will focus on in-family transfer.

# LITERATURE

- Early researchers studied the motives behind transfer :
  - Altruistic motive: parents care about their children's well-being
  - Exchange motive: parents make money transfers in order to receive services such as old age care from their adult children
  - Egoism motive: parents' utility increases when bestowing financial gifts on their children
- Lots of empirical evidence (but controversial)
  - Donald Cox. Motives for Private Income Transfers[J]. Journal of Political Economy, 1987, 95(3):508-546.
  - McGarry K, Schoeni R F. Transfer Behavior in the Health and Retirement Study: Measurement and the Redistribution of Resources within the Family[J]. Journal of Human Resources, 1995, 30(30):S184-S226.
  - McGarry, Kathleen. "Dynamic aspects of family transfers." Journal of Public Economics 137 (2016): 1-13.

# LITERATURE

- Recent studies build adjusted OLG model to predict in-household transfer
- Parents decides the consumption for each child such that marginal cost of transfer equals to the marginal benefit of children
- Predictions are not very satisfactory compared to census data.
- Carlos Córdoba, Juan, and Marla Ripoll. "The Elasticity of Intergenerational Substitution, Parental Altruism, and Fertility Choice." *The Review of Economic Studies* (2018).

# LITERATURE

- Relative few researches focused on the impact of social welfare policies on intergenerational transfers
- The interaction between social welfare plan and family support may depend on the infrastructure of social services
- Johansson, Lennarth, Gerdt Sundström, and Linda B. Hassing. "State provision down, offspring's up: the reverse substitution of old-age care in Sweden." *Ageing & Society* 23.3 (2003): 269-280.
- Motel-Klingebiel, Andreas, Clemens Tesch-Roemer, and Hans-Joachim Von Kondratowitz. "Welfare states do not crowd out the family: evidence for mixed responsibility from comparative analyses." *Ageing & Society* 25.6 (2005): 863-882.

# IDENTIFICATION PROBLEM

- Large number of covariates:
  - Family wealth
  - Family structure
  - Gender
  - Socioeconomic status: health, employment status, marital status
  - Geographical proximity
  - Relationship quality (contact frequency)
  - State/county heterogeneity
  - .....
- Variance of parameters are large

# DATA

- Health & Retirement Survey (HRS) has detailed questionnaire in household transfers
  - In-kind support
  - Financial support
  - Living arrangements
  - Child care support
  - Along with all other demographic characteristics

# IDENTIFICATION

- Regularized parameters (LASSO/Ridge)



# IDENTIFICATION

- Abadie & Kasy (2017) uses Chetty and Hendren (2015) data to prove that ridge appears to dominate the alternatives when the true effect are smoothly distributed.

# EXPECTATION

- Exploiting recent reforms in social insurance, using the model to predict outcomes on “leak out” effects of the policy.
- Verify which covariates have most significant predicting power in the model, and compare it to theories.
- Identify the relationship between social support and family support, whether it's substitute or complementary.



THANKS