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One traditional assumption of the economists is that family is the nuclear unit of the society. In the settings of a classic OLG model, family members maximize their summed utility. In practice, we all receive some kind of support from family members, whether it's in kind or in money. Therefore, it is very important to ask what are the influencing factors of intergenerational transfers, both theoretically and empirically. There is also another part of the puzzle. US government has launched a series of welfare campaigns aimed to provide monetary support for elderly people in recent years, such as the reforms to increase compensation levels for Medicare Part D, and the enlargement of Medicaid and Medicare coverage in some states. Considering the quick and wide implementation of these policies, a natural question would be: is the US pension system providing adequate old age security to its aged population? This leads to another question as to the relationship between public transfers on internal transfers. If public transfers are substitutes for internal transfers, i.e. an increase in public transfers decreases the need for family support, then the elderly persons are already having needed support. If, however, the relationship is complementary, then the transfer to the elderly persons is still insufficient.

In order to answer that question, we need to first sort out the motives behind parent-child transfer. There has been a rich collection of debates on this topic. Basically there are three hypothesis of the motives, altruistic and exchange. The exchange hypothesis proposes that family is a corporate group. On the one hand, parents give support to children in change of services when they cant take care of themselves. On the other hand, children may subsidize their parents in exchange of their help in childcare. Altruistic hypothesis consider family as an economic unit that aims to maximize the utility of all members (Cox 1987). And egoism motive suggests parents utility would increase when bestowing financial gifts on their children. McGarry and Schoeni (1995) discovers a negative relationship between the income of the recipient and the frequency and amount of inter-generational transfers, which gives evidence to support exchange motives. Fingerman, Miller et al. (2009) distinguishes between emotional and financial help and the transfer motives behind different types of support. Parents are shown to give more material and financial support to children in need, which supports altruistic hypothesis. Parents are also shown to provide more emotional support to high achieving offspring, which supports exchange hypothesis. The quest on family transfer motives lasts for years.

Our project is also connected to the empirical studies on inter-generational patterns in US families. A lot of related researches looked at the Health Retirement Survey (HRS) dataset, which is a nationally representative longitudinal study of Americans aged over 50. Respondents and their spouse are interviewed biennially. The HRS is a comprehensive dataset containing information on labor supply of the respondents, grandchild care hours, intergenerational transfers of money, as well as a pool of demographic variables related to the respondents and their adult children (Ho, 2015). So far the HRS is the most suitable dataset to study intergenerational transfers, for it includes transfer between all the adult children of the respondent. One drawback of the dataset, though, is that it only surveys parents aged above 50, thus missing trends in recent demographic changes.

Empirical evidence is very complicated. Cardia Ng (2002) points out that a larger fraction of the households in the HRS made more time than money transfers. Ho (2015) looked at parents aged between 50 and 64 and found that half of the parents provided transfer to their children. The most significant influencing factor is grandchild care need. Another recent survey shows that 62 percent of parents report giving time assistance to at least one of their children in the past year, with the average amount being about 15 hours per month. Almost half of respondents report giving money to at least one of their adult children in the previous year (Bianchi et al., 2012, pp.4). McGarry (2016) showed that events such as job loss and divorce are strong predictors of parental transfers, and transfers are distributed unequally across siblings. These empirical evidence has revealed a lot of potential factors affecting family's internal transfer arrangements.

The identification challenge of our question comes from the large dimension of covariates. Empirical evidence has suggested that a lot of variables need to be considered in terms of intergenerational transfer, such as family wealth, family structure, child's gender, grandchild's age, number of grandchildren, parents' and children's socioeconomic status: health, employment status, marital status, geographical proximity, relationship quality, contact frequency. Finally, we also need to take into account state/county heterogeneity. Given that HRS is a panel data, we could include various fixed effect models into the identification framework. However, the large dimension of covariates could create a problem for efficiency. Rencent works in machine learning has suggested an improvement to add regularization into the identification process. Abadie Kasy (2017) used the uses Chetty and Hendren (2015) data to prove that ridge appears to dominate the alternatives when the true effect are smoothly distributed. It motivates me to use regularized regression to sort out which factors are the most influencial for intergenerational transfer arrangements.

Social scientists have long been examining the responsiveness of private transfers to recipients income. The literature dates back to Barro (1974) asking "are government bonds net wealth?" His work adjusted the OLG model to take into account futrue tax liabilities and intergenerational transfers. In this setting, households would

act as though they were infinitely lived, and there would be no marginal net-wealth effect of government bond (Barro, 1974, pp.1116). The empirical evidence is much more complicated. Similar approaches that uses OLG model is Cardia Ng (2002). They divided support into monetary transfer and time transfer. And showed that time transfers can play an important role in the determination of income and capital accumulation with effects that are comparable to those of monetary transfers. More detailed data on social welfare programs seem to come from European countries. Mudrazija (2016) showed that public intergenerational transfers to elderly are associated with a secondary redistribution of support at the family level. Brandt (2013) concluded that the more public assistance was provided to citizens, the more likely parents supported their adult children financially and practically, but this support was less intense in terms of money and time give

Many of the discussions are centered around how to provide better subsidy to the elderly, in the meanwhile enhancing the labor supply of the younger generation. My proposal is to exploit recent reforms in social insurance. Using a regularized regression model, I wish to verify which covariates have most significant predicting power in the model, and compare it to theories. Finally, our attention must be focused on identifying the relationship between social support and family support, trying to conclude whether its substitute or complementary.

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