What Determines the Size of Bequests? Altruism or Joy of Giving?

By Gustaf Bruze, Karolinska Institute

Discussion by Arthur van Soest, Netspar & Tilburg University
Summary

Danish register data on Parents and Children, including:

- Consumption items
- Wealth of parents
- Promotion to CEO or Vice-president of children

Does consumption of the parents respond to promotion of the child? Yes in case of “pure altruism”; no in case of “impure altruism”

Main analysis, robustness checks: The answer is NO
Pure or impure altruism, or accidental bequests?

- More savings motives of the elderly than just bequests:
  - Longevity risk
  - Precautionary savings
  - Cost of health care and long term care, “public care aversion”
- Hurd (AER, 1987): not much evidence of a bequest motive
- Kopczuk & Lupton (RES, 2007): heterogeneity; a large part of bequests is “accidental”
- Ameriks et al. (JoF, 2011): “bequest motives that spread deep into the middle class”
- Joy of giving to own children and/or others?
- Taxes, Inter-vivos transfers
Data and variables used in the analysis

- Only 2.2% of children are promoted to CEO or vice-president
- Consider a broader definition of “promotion”?

- Consumption measures (rooms, square meters, number and value of cars, dental visits and expenditures) are very specific. Can’t you use a broader consumption or savings measure?

- Parents in couple may behave differently from widow(er)s
Empirical results

• Is it necessary to do matching, rather than a straightforward regression? Does it make a difference?

• Can you interpret the effects of parents’ income and parents’ wealth on parents’ consumption? (These effects are statistically significant but seem very small)