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CHAPTER 12

Intergenerational Transfers and Inheritance: A Comparative View

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This chapter is about material transfers among adult family generations. They occur either as *inter vivos* gifts or as bequests. These two types have often been analyzed separately despite good reasons to treat them together. The description and explanation of such transfers has been the subject of a broad range of theoretical approaches, including sociological theories of the social antecedents and consequences of transfers, economic theories of the reasons or motives for transfer giving, and sociobiological (neo-Darwinian) theories of why transfers have evolved and where they are directed.

Sociological theories directly address variations in social structure, culture, and institutions, while economic and sociobiological theories are more universalist in their aims. But the latter must also deal with the changing social contexts of transfers as sources of specific opportunities or restraints for the expression of universal properties. Thus, problems of comparison arise in all approaches. So far, however, they have not been taken up systematically, due to both a lack of appropriate data and a lack of issue conceptualization. More extensive comparative data will hopefully be available in the near future. Here I want to advance the conceptual discussion, and illustrate it with some examples of empirical comparison. The first part of the chapter discusses the general problems of comparison

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and the main theoretical approaches of sociology and the other two disciplines to the field of intergenerational family transfers. The next section presents the stylized results of the study of transfers so far and the comparative questions that they raise. Finally, these questions are exemplified by a comparison of transfers between two (still) specific societies, East and West Germany. The chapter ends with a brief concluding section.

Current societal dynamics are putting intergenerational family transfers squarely on the political and scientific agenda. Contemporary aging societies are age-graded, and to a large extent, age-segregated societies. Their institutions tend to be age-homogeneous (Uhlenberg & Riley, 2000). Relations and transfers among generations are critical for maintaining age integration.

In this respect, the family plays a special role; it is the prototypical institution of age-heterogeneity. The family links lives far beyond the co-residing nuclear unit, most prominently along the generational lineage. This link can take several forms that have been conceptually differentiated as types of "solidarity" (cf. Silverstein & Bengtson, 1997), some of which are treated in other chapters. In the present chapter, I focus on material transfers: gifts or bequests of money or goods.

Beyond economic concerns, the study of family transfers among adult generations is important for at least four main fields of sociological inquiry:

- for *life course research* where it follows the balance of giving and receiving across the life course, and highlights the position of the elderly as net givers (Szydlik, 2000)
- for *research on social security* where it complements our understanding of the family as one of the pillars of the contemporary welfare mix (Kohli, 1999)
- for *stratification research* where it draws attention to the fact that the transfer of social status is not over at the beginning of adulthood but continues by other means (Spilerman, 2000)
- for *research on social inclusion* where it shows that the family, even in contemporary societies, remains one of the key providers of social bonds or "social capital" (Putnam, 2000).

It should be stressed that intergenerational family relations are not always a "good" form of social capital:

- They may increase social inequality, and thus go against universalistic concerns (Künemund et al., 2003)
- They may block the development of a more encompassing civil society (in the sense of what Banfield [1958], in his classical study on the reasons for the backwardness of the Italian *mezzogiorno*, called "amoral familism")

- They may even constitute an outright harmful version of social bonds; for example,, in the form of family-based criminal networks (a possibility that needs to be taken into account with any form of social capital; see Putnam, 2000)

The issue of inequality will be taken up again below. Otherwise, the remainder of this chapter will mostly demonstrate the positive aspects of family transfers (which are plentiful).

THEORETICAL APPROACHES

Most of the work on intergenerational family transfers so far has been done in economics. The theoretical approaches of economics seem to converge on two basic issues. The first is the importance of *inter vivos* transfers and bequests for current wealth accumulation and wealth distribution.² The second is how the family functions as an agency of economic redistribution and security for its members. For both questions, the motives for transfer giving (e.g., altruism or strategic exchange) are often considered crucial. The purpose of distinguishing between motives is not to offer a full psychological explanation, but to assess how people will react to changing incentives, such as those of economic policy.³ Since Becker's (1991) pioneering work, economists have increasingly come to the conclusion that *inter vivos* transfers are to a considerable extent motivated by altruistic concerns of parents with regard to their children, while the motivation of bequests remains more problematic.

An interesting approach for the explanation of transfer behavior that has been gaining ground lately is that of evolutionary (sociobiological) theory. It has correctly predicted the finding that resources always flow from the elderly generation down to its descendants (Low, 1998, p. 146). In its application to historical human populations, it has tried to show how changing transfer behavior (e.g., with respect to son preference or to pref-

² Economic estimates of the proportion of the aggregate wealth of contemporary cohorts that is due to transfers (as opposed to life-cycle accumulation) vary widely. They depend not only on what transfers are included (e.g., whether or not to include human capital transfers, i.e., support for higher education at the beginning of adult life) but also on the types of evidence used. Estimates based on survey data that systematically exclude the very rich are lower (cf. Klevmarken, 2002; Gale & Potter, 2003). In a long-range historical overview, DeLong (2003) shows how the importance of bequests has decreased but remains considerable, with an estimate for the current U.S. of about 40%. This is much less than before the industrial revolution, but much more than our received sociological stories tell us.

³ As Becker (1991, p. 279) states, "I am giving a definition of altruism that is relevant to behavior - to consumption and production choices- rather than giving a philosophical discussion of what 'really' motivates people."

erence for the oldest or youngest son) is a response to changing ecological conditions (cf. Hrdy & Judge, 1993). For example, for land-rich families under conditions of expanding resources, it was advantageous to treat their offspring equally, while unequal transfers made more sense under conditions of contracting resources; for land-poor families, the opposite pattern held. These patterns are (to some extent) corroborated by the historical record of the eighteenth and nineteenth century. The evolutionary framework applied here is that of inclusive fitness, that is the maximization of reproductive success not at the individual level but at that of the family group (weighted by genetic relatedness).⁴ For many contemporary populations, the criterion of maximizing reproductive success is no longer generally valid (as evidenced by the growing proportion of childless women and men), but evolved genetically transmitted behavioral tendencies may still influence parental or grandparental investment strategies, so that this approach may still have some explanatory merit, especially if combined with an economic (cf. Cox, 2003) or sociological framework.

Relative to the large number of economic studies of the material link between family generations, sociology has been slow to follow. Given the importance of this link for several key fields of sociological inquiry, this is surprising. One of the reasons for this neglect lies in what may be termed the "Durkheim-Parsons orthodoxy" of modernization theory, with its emphasis on the nuclearization of the family and the concomitant weakening of the bonds beyond the nuclear household, both with regard to affective bonds and personal help and to economic support (Kohli, 1999).⁵ The sociology of intergenerational relations has, over the last three decades, refuted this account for many dimensions of solidarity (Bengtson, 2001), but has not given due attention to material transfers. Stratification research has also suffered from this truncated vision of modernization by focussing on labor market and public transfer incomes only, and neglecting wealth as a component of stratification (Spilerman, 2000).

Sociological theories tend to be either structural, institutional, or cultural (or a combination of these). A structural approach to the explanation of changing family transfers might focus on the changing demographic composition of families, or the changing educational and occupational status balance between the sexes. An institutional approach focuses on the institutions that regulate family transfers, such as legal obligations of intergenerational support, legal regulation and taxation of bequests or

⁴ This framework now also allows for the analysis of contributions by post-menopausal women for whom direct reproductive selection does not operate any more ("grandmother hypothesis").

⁵ Durkheim went so far as to predict that inheritance would lose its salience in modern societies. He was clearly wrong.

inheritance, or relevant family policies. A cultural approach focuses on changing traditions and values, such as those associated with the process of individualization.

For all these approaches, the advantages of international comparisons may seem obvious. But what exactly is the interest of a comparative perspective on family transfers? On the one hand, the goal of comparison may be theoretical. If the task consists in explaining transfer occurrence and transfer outcomes in terms of general behavioral tendencies, the variations among national contexts – structural, institutional, or cultural – become relevant as variations in the pattern of opportunities, restraints, and preferences that condition the expression of these tendencies. Thus, the neo-Darwinist theory of transfers tries to show that the latter occur if and when they increase the inclusive fitness of a family member (Hrdy & Judge, 1993). Since this depends on the given structural and institutional context, it is to be expected that the occurrence and form of transfers vary along with this context. Similarly, the variations among cultural traditions become relevant as conditions that shape behavioral tendencies into concrete preferences.

For sociology, the social institutions and cultural values that regulate transfers are relevant not only as contexts but as topics in their own right. They constitute what we may call transfer regimes. The sociological interest here may again be theoretical, in the sense of a general theory of institutional or cultural change, or a more topically and historically limited theory of the development of modern transfer regimes (which might take some of its clues from the theory of welfare state development which has flourished in the last two decades).

The search for general explanations requires a careful selection of cases for comparison. A strategy of minimal comparison – such as between France and Germany, which share similar basic features of transfer regimes – is adapted to the study of the impact of specific contrasting features that operate in an otherwise similar context (“all other things being equal”). A strategy of maximal comparison, such as between “capitalist” and “socialist” or transformational countries, is preferable for extending the range of contexts or regimes to be included, even though it will create a problem of attribution of outcomes to specific causes. Multivariate designs that include a number of institutional or cultural variables across the complete range of available countries and periods would seem to be a good solution, but they typically come at the price of restricting the precision and depth of comparison. In the welfare state literature, a consequence has been to combine broad cross-country analyses with comparative case studies (e.g., Kohli et al., 1991; Williamson & Pampel, 1993). But even the best designs are limited by the number of countries and time periods that are available, so that all analyses retain an element of induction: they can be generalized to the cases studied but not beyond.

On the other hand, the goal of comparison may be to highlight the specific (or even unique) pattern of a given society by contrasting it with others. At the institutional and cultural level, one may be interested in the historical development of institutions and values as well as in the discourse that accompany them, such as the public debates over the legal and fiscal regulation of inheritance, which can be read as a discourse on whether a society approves or disapproves of this form of wealth acquisition (Beckert, 2003; DeLong, 2003; cf. below). On the level of behavioral outcomes, one may aim at a detailed description of how transfers take shape and what they achieve, and of their interaction with other domains such as social security, stratification, social inclusion, or economic productivity.

The economic literature on transfers sits somewhat uneasily between these two goals. On the one hand, it leans towards the universalist pole by aiming at a general theory of transfer motives. Thus, a large number of studies set themselves the task of clarifying whether bequest motives are altruistic, accidental, or strategic (cf. Hurd, 2003). On the other hand, economists' main interest is in the effects of institutional variation, especially in the form of institutional incentives or disincentives produced by policy. The search for 'motives'⁶ is warranted insofar as they condition the impact of such (dis)incentives. However, the search for a single or dominant bequest motive may be misdirected because, for example precautionary saving for a remaining life-span of uncertain length (which might result in an 'accidental' bequest) may co-exist with a desire to leave a bequest (Skinner, 2003, p.63). If motives turn out to be equivocal and mixed, this complicates the task of assessing the effects of transfers within specific institutional regimes; it makes it even more important to deliver precise accounts of the institutional side and "direct tests of the impact of policies on behavior" (Gale & Potter, 2003, p.335). Here, comparisons are most effective because it is more straightforward to compare the impact of institutions and institutional change than to relate this to purported motives.

Two more reasons exist as to why we need to know the specific transfer story of a given society. First, we need it for assessing how transfers are linked to the broader institutional landscape, for example, whether it is likely that they will crowd out personal savings or be crowded out by public social security (cf. Künemund & Rein, 1999). Secondly, we need it for going beyond a narrowly economic focus on transfers to include its relational dimensions as well (Kohli, 1999). Institutions (such as legal obligations of intergenerational support) or values (such as a value of unconditional family solidarity) may have no effect on transfer rates or

⁶ I put this term in quotation marks because in the economic literature, as mentioned above, motives are usually not conceptualized and measured in the psychological or sociological sense, but as intentions revealed through behavior. A direct measurement in terms of how much respondents agree with a range of given motivational statements leads to a different structure of transfer motives (as shown by Kohli & Künemund, 2003).

amounts but rather on what the transfers mean – whether the transfers come with strings attached or not, or what they signal to recipients in terms of givers' affections for them. Institutional and cultural patterns also condition the way that family transfers are negotiated between the parties and how they may give rise to conflicts (cf. Finch & Mason, 1993). Here again, comparisons have a unique contribution to make.

The transfer literature is still far from any truly comparative stance (cf. Arber & Attias-Donfut, 2000; Pestieau, 2003). Most of the studies concern just one country, which in most cases is the United States. Where comparisons are attempted, they have to grapple with different samples and measurements. Studies at the institutional or cultural level have made a start at comparison (e.g., Beckett, 2003); in terms of data requirements they are less demanding than those that focus on outcomes at the level of the individual⁷. But beyond that, no studies exist that have done for the transfer field what the comparative welfare state literature has achieved so far.

SOME EXAMPLES OF TRANSFER PATTERNS AND INSTITUTIONAL DIFFERENCES

There is now a range of countries for which we have transfer studies based on nationally representative survey data. In addition to the United States they include France (Attias-Donfut, 1995; Attias-Donfut & Wolff, 2000), Germany (Kohli, 1999; Kohli et al., 2000; Szydlik, 2000), Israel (Litwin, 2002; Spilerman et al., 1993), Norway (Gulbrandsen & Langsether, 2000), and Sweden (Klevmarken, 2002). These studies have generated a rather similar pattern of results, which in stylized form may be summarized as follows:

- *Inter vivos* transfers in the family are given at a considerable rate.⁸
- These transfers occur mostly in the generational lineage, and they flow mostly downward, from the older to the younger generations.

⁷ For an individual-level analysis of the impact of welfare state institutions, see Goodin et al. (1999).

⁸ In Germany, 32% of our respondents aged 40-85 have given transfers over a period of 12 months (mostly to their children), and 8% have received them (mostly from their parents). These and all the following results from Germany are based on the German Aging Survey, a large representative survey of the West and East German population, aged 40-85, who are living in private households. The survey was conducted in 1996, with a broad range of sociological and psychological variables of well-being, resources, productivity, and social participation (a full report of the sociological results is given by Kohli & Künemund, 2000, and of the psychological results, by Dittmann-Kohli et al., 2001). The German Aging Survey has been designed and analyzed jointly by the Research Group on Aging and the Life Course at the Free University of Berlin and the Research Group on Psychogerontology at the University of Nijmegen (Netherlands) in collaboration with infas Sozialforschung, Bonn, and financed by the Federal Ministry for Families, the Elderly, Women, and Youth. The sole responsibility for the results reported here lies with the author.

- Transfers from parents to adult children (or grandchildren) are often targeted to the more needy children (which means that, in economic terms, they are altruistically motivated). For Germany, the results from multivariate analyses show that parent-child transfers depend on attributes of the parents (especially their income and wealth), the children (especially their need), and the parent-child relationship (especially contact frequency and residential proximity).
 - Bequests also occur at a considerable rate, and this rate has increased for younger cohorts.⁹
 - In contrast to *inter vivos* transfers, bequests are mostly divided equally among all children.
 - For both *inter vivos* transfers and bequests, no significant gender differences exist, in contrast to what some smaller studies reveal to have been the case a few decades ago.
 - With regard to the reproduction of social inequality, the empirical results so far show that ongoing *inter vivos* transfers do not increase income inequality among the recipients, and may even lower it because they are targeted to the more needy children (Attias-Donfut & Wolff, 2000; Künemund et al., 2003). For bequests, on the other hand, our German evidence shows a clear increase in inequality (Künemund et al., 2003; Szydlik, 2004).

To the extent that these stylized results are indeed similar across countries, comparative studies may seem an unnecessary luxury. However, the patterns established so far still need to be corroborated by more detailed and extended studies. This is true for the descriptive aspects and even more for the antecedents and consequences of transfers. Moreover, it should be kept in mind that the transfer rates and amounts are not the only variables of interest; transfers also have to be assessed in terms of their meanings and of the way they are negotiated.

As mentioned before, a sociological explanation of these transfer patterns may be set in structural, institutional, or cultural terms. The *structural* variant may be the least productive one because the relevant structural differences between modern Western societies seem slight. However, some rather striking differences exist in the demography of the family, such as in terms of household composition and living arrangements. As an example, a large and growing difference exists between Germany and Italy in rates of coresidence of young adults with their parents. In Italy, 50% of young women and 70% of young men at age 25 still live in the parental home, while in Germany the corresponding rates are 10% and 30%

⁹ Among the respondents of the German Aging Survey, almost one half have already received an inheritance; for about one-fourth of these, the amount inherited has been above 50,000 Euro. The youngest age group (40-54 years) has inherited most often, which demonstrates a strong cohort effect that overcompensates the expected life course effect.

(Rusconi, 2003). Coresidence is in itself a specific form of intergenerational exchange that is difficult to assess empirically but needs to be taken into account in any examination of transfers.

Cultural explanations may be based on a comparative analysis of the political and public discourse (such as that on inheritance law), or of individual-level values assessed through the relevant comparative value inventories (such as the World Values Study). For the values in the transfer field these inventories are still rather limited. A start has been made in the German Aging Survey by questions aimed at a direct assessment of transfer motives (Kohli & Künemund, 2003). A nonlinear principal component analysis of these questions yields three dimensions:

- Unconditional giving (e.g., "If my family members need help I will always be there")
 - Conditional giving (e.g., "If someone wants to inherit from me, he or she should do something for it")
 - Separation (e.g., "Grown-up children should be able to stand on their own feet, and not expect support from their parents")

For motives, a gender effect exists, as well as an effect of social stratification: women and people with higher education and prestige are more likely to give unconditionally. Motives in this sense are not trivial; they have a strong effect on behavior in addition to the structural (sociodemographic) variables. Moreover, they may be relevant for the quality of the transfers: It is important whether money comes with strings attached or not. It remains to be seen to what extent this pattern of motives holds in other countries as well.

The most obvious domain for sociological explanations is that of institutions. *Institutional* variation between nation states occurs in three dimensions:

- Institutional regimes create different legal and normative obligations for families, such as the legal obligations of support between generations that exist in the family-centered pattern of Germany (and to a lesser extent, of France) but not in the individual-centered pattern of the United States.
 - Institutional regimes create different needs for family transfers, as for example the costs for higher education in the United States, or the costs for housing in Israel.
 - Institutional regimes create different opportunities and restrictions; a good case in point is the weakening of status and capital transmission through the family in state socialist countries, as we will see in the next section.

The comparative issues among France, Germany, and the United States merit some further comments (cf. Kohli, 1999). The transfer rates obtained

for Germany are roughly similar to those for the United States (e.g., McGarry, 2000). In France, the rate seems to be considerably higher. In the French three-generation study (Attias-Donfut, 1995) that is based on a nationally representative sample of those aged 49-53 years with at least one adult child outside the household and a living parent, 64% of the respondents of this middle generation have made a transfer to their children within the past 5 years. This higher rate may be partly attributed to the longer reference period (5 years instead of 1 year) in the French survey. Transfer answers have proven to be highly sensitive to measurement issues such as question wording and time frame, and this is likely to be even more the case in international comparisons. But beyond the measurement problem, the higher rate probably also reflects a stronger generational bond in France than in Germany. Evidence on the feelings of closeness and on the correspondence of value orientations between the generations shows indeed more distance in Germany, a difference with obvious historical roots in Germany's Nazi past, which still seems to partly infect its present intergenerational relations (Attias-Donfut, 1998).

To some extent, differences in family transfer regimes may plausibly be related to differences in public welfare regimes. In Esping-Andersen's (1990) typology of welfare states, the United States and Germany are exemplars of two different types, the liberal and the conservative (or corporatist) one, with France (while being somewhat less easily classified) close to the latter as well. France and Germany should therefore have similar transfer regimes, and be different from the United States (where public pension incomes make up a substantially lower part of the pension incomes). However, other differences are to be considered, differences that might be grouped under the label "family regimes". These include the usual dimensions of family policy, but go beyond them to other policy fields (such as taxation of wealth and inheritance), and to dimensions of the demography and culture of the family. Germany and the United States differ both in terms of welfare and family regimes, and these differences seem to cancel themselves out with regard to *inter vivos* transfer rates.

As shown above, *inter vivos* transfers and bequests appear to follow different logics and have different effects, and therefore need to be examined as separate processes. However, they are systematically linked in empirical and institutional terms. As Klevmarken (2002, p.9) shows for Sweden, almost all gifts go to households that also inherit. *Inter vivos* gifts can be used to reduce the size of the bequest, so that under the usual taxation rules, the total tax amount can be lowered. For the United States, it has been shown that wealthy parents do appear to take advantage of tax-free giving to spend-down their estate, but not to the full extent permitted by law (McGarry, 2001).

Inter vivos transfers are more interesting than bequests for two reasons: they reach their recipients earlier in life when needs, for example in terms

of starting a family and getting started in work, or of special crises such as divorce or unemployment, are more acute; and they are part of an ongoing relation that includes other dimensions of solidarity and exchange. On the other hand, bequests present an interest of their own, not only because they are a quantitatively more important component of wealth acquisition – their relation to *inter vivos* transfers in Germany is about 4 to 1 (Schupp & Szydlik, 2004) – but also because they are more prominent as a field of institutional regulation and political discourse.

For most of the nineteenth and twentieth centuries, the legal regulation of inheritance has been a highly contentious field when regarding issues such as taxation or testamentary freedom. It has been an arena of debate on basic normative principles of society, and thus on its moral identity (Beckert, 2003): on whether status reproduction is and should be meritocratic, on the extension of individual property rights, on family solidarity and closure, on civic obligation¹⁰, and on economic productivity and growth. In his comparative analysis of the development of inheritance law in France, Germany, and the United States during the nineteenth and twentieth century, Beckert (2003) shows that in all three countries the restriction of property rights by inheritance legislation is seen as problematic but legitimate reasons exist for the restrictions. In the United States, state intervention into the field of inheritance has been legitimated by three basic reasons: equality of opportunity, protecting democracy (against plutocratic wealth concentration), and protecting the children from being corrupted by unearned wealth. In France, the main conflict was between the principle of equality imposed by the Revolution (which led to a restriction of testamentary freedom) and the role of family authority. Throughout the nineteenth century, conservative authors such as Le Play criticized the equal division of estates imposed by the Code civil for destroying the family and thereby undermining French society, and even for the comparatively low French birth rate.¹¹ In Germany, these conservative voices were prominent as well, and the issue was also framed as a conflict between the liberal principle of freedom to dispose of one's property even after death and the interests of the family and of society. This type of comparison thus sheds light not only on how the institutional pattern of regulating transfers has developed but also on the cultural traditions that are still part of current transfer regimes.

Today, one of the key regulatory issues remains taxation (cf. the overview in Schupp & Szydlik, 2004) where there seems to be a clear polit-

¹⁰ "He who dies rich dies in disgrace" (Andrew Carnegie).

¹¹ The reason was that under a regime of imposed equal partition, the only way to avoid the division of the family property was to reduce the number of children. A recent empirical assessment of this claim (Rosenthal, 1991) shows that it had indeed some validity, but only for those regions where unigeniture had been the rule and where families were not powerful enough to subvert the new legal obligation in practice.

ical left - right cleavage, with both the Berlusconi administration in Italy and the Bush administration in the United States having set the course towards abolition, while a growing pressure from the Social Democrats and Greens for raising the tax exists in Germany. Inheritance taxation enjoys some public attention at present, but relative to the conflicts over the main areas of the welfare state, it remains rather subdued. The reason may be that given the rather modest fiscal share of inheritance taxation¹², this area of institutional regulation is much less fiscally consequential than, say, pensions or health reform. It has even been said that the salience of the "death tax" is symbolic rather than fiscal:

Its primary function has been a political statement that 'equality of opportunity' is a good thing to aim for - that wealth and economic power should spring from one's own accomplishments, and not from the fact that one has in some sense chosen the right parents. (DeLong, 2003, p.50).

This symbolic function, however, is far from being negligible; it goes to the heart of the social legitimation of inequality. This is especially the case for larger fortunes, and for them the tax may also be relevant as a behavioral (dis)incentive much beyond its symbolism.

The issue of testamentary freedom, which was so hotly fought over throughout the nineteenth century, seems to have lost its contentious character today. But the legal differences among the modern nation states remain strong in this respect. In the United States, practically no limits exist as to the freedom to dispose of one's estate according to one's own will. In Germany the surviving spouse and children have a legal right (under most conditions) to half of the estate, so that the estate holder can freely dispose of the other half only. In France, the disposable part (*quotité disponible*) in most cases is even considerably smaller.

Paradoxically, these legal differences seem to have lost their behavioral clout. As mentioned above, bequests now go predominantly to all children equally (including sons and daughters), a state of affairs that has been called the "equal division puzzle" (Bernheim & Severinov, 2000). No obvious economic explanation for this exists because both altruistic and strategic motives for bequest would predict unequal amounts.¹³ No obvious evolutionary explanation exists because the ecological variations that

¹² Inheritance taxation in OECD countries today accounts for between 0.2% and 2.2% of total tax revenue (OECD, 2000). It should be added, however, that in Germany the issue is made more complex by federalism: the inheritance tax goes to the Länder (states), and for them, it accounts for 16% of total tax revenue (Schupp & Szydlík, 2004).

¹³ Economic attempts to explain equal division by invoking a psychic cost of treating children unequally or a problem of signalling unequal affection (e.g., Bernheim & Severinov, 2000) are begging the question: Why should unequal treatment of children or unequal affection for them be a cost? It certainly was not seen that way in pre-industrial Europe.

would explain the changing parental investment strategies between uni-geniture and equal division are still present. No obvious institutional explanation exists because equal division is the empirical rule even in the United States, which in contrast to France and Germany, has almost complete testamentary freedom. The only possible explanation seems to be one of value change: The individualization of modern societies – set in motion by the Enlightenment and the French Revolution, but fully developed only in the last decades of the twentieth century – has made the principle of equal worth of every person an overriding concern.

A COMPARATIVE CASE STUDY: TRANSFERS IN EAST AND WEST GERMANY

Examining intergenerational transfers in East and West Germany¹⁴ presents a revealing pattern of comparative research, specifically of the contrast between two societies who had become separate societies across 45 years, but are now moving closer together again, to the point where it is questionable to what extent they still are separate societies. With regard to the past, it is a maximal comparison between two extremely contrastive social systems and transfer regimes. With regard to the present, it is a minimal comparison between two cases with somewhat different structural conditions and cultural traditions but almost completely identical institutional frameworks.

For a comparative analysis of transfers, East Germany has two salient features:

1. The German Democratic Republic (GDR), like the other state socialist (or communist) societies of Eastern Europe, presented a special regime of intergenerational transmission that indeed warrants analysis as a regime type, in other words, an articulated set of properties closely linked to the basic structural features of these societies. Two such properties that were especially salient for intergenerational transmission were the centralized (and partly totalitarian) power structure of state socialism with its tendency of lowering the impact of the family, and its shortage economy with its consequence of making consumption largely dependent on one's inclusion in interpersonal networks.

2. The GDR was highly influenced by its specific generational history, and it can be argued that the latter was one of the major causes of its implosion in 1989 (cf. Kohli, 1994; Mayer & Solga, 1994). One aspect of this his-

¹⁴ The following section is based on Kohli et al. (2000).

tory was the increasing closure of social space for upward mobility (including the rates of admission to university education) during the 1970s and 1980s resulting in massively growing disillusion and discontent among the younger cohorts, which is a trend clearly demonstrated by the GDR surveys over the 1980's. Another aspect was the increasing attempts by the political elite at transmitting their status to their children, especially illegitimate and repugnant in a system that ideologically disavowed all forms of private inheritance and dynastic privileges.

Several years after the end of state socialism, East Germany presents a difficult causal attribution problem. Any difference to the West that we find (e.g., in rates of intergenerational transfers) can be attributed either to the persistent influence of the socialist past or to the conditions of the transformation period. The available cross-sectional data, including our own, do not permit a clean empirical differentiation between these two causes. The differentiation must instead rely on theoretical arguments.

In some dimensions, especially those of family formation, it is the dramatic and historically unprecedented consequences of the transformation period that stand out. Thus, fertility in East Germany between 1989 and 1995 dropped from a Total Fertility Rate (TFR) of 1.56 to one of .84, and nuptiality showed an even slightly larger drop (Grünheid & Mammey, 1997). In other dimensions, it is plausible to assume that the socialist period also still has an impact. Intergenerational relations over the entire life course have been shown to depend on the long-term socialization history between parents and children (e.g., Rossi & Rossi, 1990), and, to some extent, they may also depend on long-term cultural preference patterns. It is therefore still warranted for family studies to focus more on the GDR past, or on state socialist societies generally, even though they now have become, as the phrase goes, "only history." Moreover, these systems have been highly interesting societal specimens; for reasons of intellectual curiosity and even more of sociodiversity, we should not let them slide into analytic oblivion.

For the GDR past, we could hypothesize that family ties had been weakened during the four or more decades of state socialist rule because of the regime's tendency, following from its totalitarian elements, to break up the power of the family just as that of all other pre-existing intermediate levels between the state and the individual (such as associations, unions, parties, or churches), first by taking the socialization of the young out of the hands of the family, and second by making it difficult for parents to transmit status and material capital to their descendants. On the other hand, we could hypothesize that the family had been strengthened, first because it became the only possible counter-world to the official one of state and party, and second because it was indispensable as a network of exchange. The most

interesting theoretical model here is that of "communist neo-traditionalism" (Jowitt, 1983). It concerns the mechanisms through which positions and goods were distributed and loyalties assured, specifically through networks of clientelism and exchange, often on the basis of traditional identities such as ethnicity or family. The latter were thus paradoxically strengthened, even though the aims of official policy were to make them less salient.

For the transformation period (since 1989), there are again a negative and a positive hypothesis. We could hypothesize that the transformational stress has weakened family ties because a crisis leads to desolidarization, and the lack of economic resources impedes transfer-giving. And the dramatic changes with regard to fertility and nuptiality mentioned above point to a demographic involution that, were it to continue, would threaten the survival of the family as the normal life form. On the other hand, we could hypothesize that the transformation crisis has increased the need for family help, and strengthened the tendency to rely on and retreat to the family. Thus, while family formation has been strongly compromised, existing families may have moved closer together; their transfer capacity has decreased, however.¹⁵

Taking both periods into account, we expect that more intergenerational transfers occur in East than in West Germany, but only among those groups which still have resources for transfers. Here again, the impact of the GDR past comes into play. Whatever the legacy of that past in terms of values, attitudes, and practices, a clear legacy exists in terms of available resources, or lack of them. On the aggregate level, important income differences exist between East and West Germany, and even more important wealth differences. For home ownership, the relation between East and West in 1995 was about 1 to 2; for mean household wealth, 1 to 3.5. With big wealth, not usually picked up in surveys, the contrast is even more dramatic. East Germany still has very few large owners and controlling elites; in important ways, it now has capitalism without capitalists. These differential resource constraints need to be taken into account when comparing the transfer patterns between East and West.

Within the aggregate picture of income and wealth sketched above, we can identify age groups and cohorts that have been (relative) winners and losers of the transformation process. The losers have been those in midlife, who have been especially hard-hit by the transformational recession and labor market crisis, and do not yet have access to retirement provisions (cf. Kohli, 1997). The winners have been the pensioners, most of whom have profited from being incorporated into the West German pension system.

¹⁵ In one of the very few cross-sectional comparisons over time, Harcsa (1996) shows that in Hungary, the proportion of households that receive services and financial support from their parents has considerably decreased between 1984 and 1995.

The pensions paid in the East are still somewhat lower than those in the West, but the difference is smaller than for work incomes. Moreover, pensions follow the logic of publicly guaranteed transfers rather than that of privately contracted incomes, and are therefore more reliable and secure. In our survey, the third age group, the 70-85 year olds, have the lowest mean equivalence income in the West and the highest in the East. All three age groups have lower incomes in the East than in the West, but the difference is smallest in the 70-85 age group, with Eastern incomes reaching 79% of Western levels for men, and 83% for women. The 70-85 age group in the East is also the one with the most positive evaluation of how the situation has evolved over the last ten years. A majority of 58% states that their living standard has (much or somewhat) improved during this period, with 35% seeing no change and only a small group of 8% stating that it has (much or somewhat) worsened. In contrast, among their age peers in the West, the large majority (74%) has experienced no change, whereas only 12% see a change for the better, and 14%, for the worse.

As mentioned before, transfer giving is strongly dependent on available resources. Therefore, it seems appropriate for our comparison to concentrate on the 70-85 year olds, the relative winners of the transformation where the resource difference between East and West is smallest, because if we can expect the hypothesized tendency of East Germans to give more transfers to manifest itself, this age group will be closest to the true value that would be expected under equal resource constraints.

The results support our expectations. The Western transfer rates are somewhat higher in the youngest group and considerably higher in the middle group, while in the oldest group (those aged 70-85) the pattern is reversed, with 30% of East German parents giving transfers, compared to 23% of those in West Germany.

How transfers depend on available resources is demonstrated in Figure 12.1. In order to make resources directly comparable between East and West, the income quartiles are calculated for Germany as a whole, rather than for each of the two parts separately. In both regions, transfer rates increase with higher equivalence income, but the association is stronger and more regular in the East. This may be due to the fact that West Germans have more other resources in the form of wealth at their disposal (cf. below); although constraints do not have the same impact over the whole scale. In the lowest quartile, East and West German parents give in almost equal proportions; the very limited resources override other factors. In the upper three quartiles, where resource constraints are less painful, the hypothesized tendency of East Germans to give more transfers is confirmed.

Figure 12.2 gives an example of how the age-specific needs of the receivers and resources of the givers come into play. (The data here

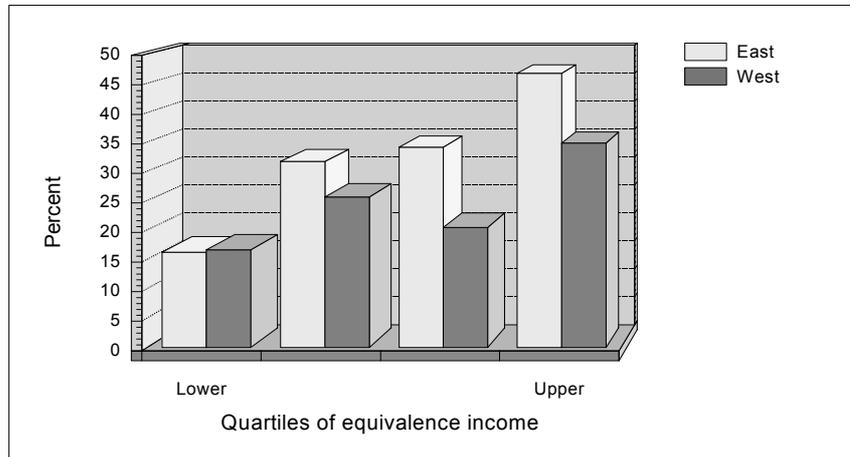


FIGURE 12.1 Transfers Given to Children in East and West Germany by equivalence income of the parents (Parents Born 1911 - 1926); German Aging Survey 1996, N=1112 (Kohli et al., 2000).

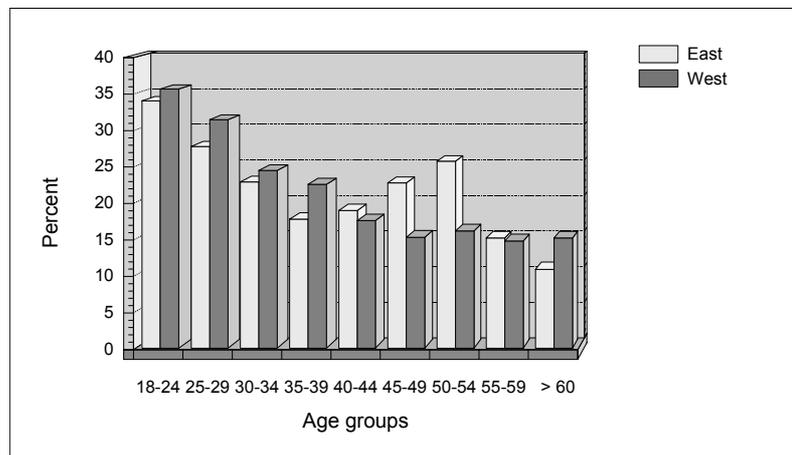


FIGURE 12.2 Children receiving transfers in East and West Germany by age groups; German Aging Survey 1996, N=6476 (Kohli et al. 2000).

comprise the whole age range of our sample.) In both regions, it is the children in early adulthood that have the highest chance of receiving transfers. Many of them are still in education, or are faced with the demands of setting up a family at a time of limited or even erratic income. In such a situation of life-course squeeze, family transfers are especially important. About half of the adult children still in education (and not living at home) in our sample, and about a quarter of the unemployed receive transfers from their parents. Why, then, is the support for children in their early adulthood lower in East Germany? Their life-course squeeze is as hard if not harder than in the West. The answer relates to the lack of resources of the parents, usually in their 40s and 50s where, as noted earlier, the employment and financial situation is particularly tight. Conversely, this may explain why children between 45 and 55 are much more likely to receive transfers in East than in West Germany.

The patterns described so far on the basis of bivariate data are confirmed by multivariate modelling with logistic regressions (Table 12.1). In the 70-85 age group, Western parents are 29% less likely to give transfers than Eastern ones. The strongest determinants of transfers are the resources of the parents (income and wealth), the needs of the children, and the frequency of contact between them.

Thus, even though resources are lower in the East than in the West, the proportion of transfer givers among elderly parents is higher. This reflects both a stronger family solidarity and a higher need among adult children. It should be added that with regard to the proportion having received an inheritance, the difference between East and West (41% and 49%, respectively) is less strong than we might have expected on the grounds of the difficulties for East Germans in accumulating and transferring wealth; however, a massive difference exists in the amounts inherited. This is again an indication both of the high salience of family transfers in East Germany and of the resource constraints against which the elderly have to maintain them.

CONCLUSION

The contrast between East and West Germany exemplifies the potential of the comparative approach as well as its difficulties in generating valid causal attributions. In theoretical terms, the East German case shows that transfers from the elderly to their descendants hold up even against unfavorable conditions, but that the specific structural opportunities and constraints and institutional incentives and disincentives need to be taken into account to make sense of the observed patterns. The structural conditions

Table 12.1 Transfers Given by the 40-85-year-old Germans to Their Adult Children Outside the Household (Logistic Regressions: Odds Ratios Reported)

	Younger Age Group (40-54 years) N = 836	Middle Age Group (55-69 years) N = 2418	Older Age Group (70-85 years) N = 1922
<i>Attributes of Parent [Respondent]</i>			
Equivalence Income (Reference: 1st +2nd quintile)			
3rd Quintile	1.99***	1.25	1.70***
4th and 5th Quintile	2.63***	2.58***	2.08***
Wealth (1 = yes)	2.14***	2.17***	1.58**
Education (Reference: Low)			
Middle	1.10	1.02	1.01
High	1.91*	1.28	1.34
Number of Adult Children in the Family (Reference: One Child)	1.00	0.98	0.90
Two Children			
Three or More Children	0.79	0.41	0.63***
Living with Partner(1 = Yes)	1.22	1.77	1.12
Gender (1 = Female)	1.09	0.92	0.85
West or East Germany (1 = West)	1.30	1.22	0.71***
<i>Attributes of Child</i>			
Labor Force Status (Reference: Employed)			
In Education or Unemployed	1.98***	1.72***	1.92***
Housewife or -man +Other	0.72	0.90	1.05
Marital Status (1 = Married)	0.71	0.90	0.80
Has Child(ren) [Respondent's Grandchild(ren)] (1=Yes)	1.36	1.16	1.15
Gender (1 = Female)	0.80	0.92	0.96

Age	-	-	-
Up to 45 Years	-	-	-
Up to 30 Years	0.97	0.84	-
<i>Attributes of the Parent-Child Relationship</i>			
Frequency of Contact (Reference: Daily)			
Several Times a Week	1.34	1.20	1.13
One to Four Times a Month	0.82	0.79*	0.89
Less than Once a Month	0.58*	0.80	0.41***
Emotional Closeness (Reference: Very Close)			
Close	0.89	0.99	0.87
Medium to not at all Close	0.87	0.52	0.99
P	0.11	0.07	0.07

Notes

Units of analysis: dyads of parents and their adult children not living in the same household

*** = $p < 0.01$

** = $p < 0.05$

* = $p < 0.1$

Germany Aging Survey 1996, unweighted

are highly differentiated among cohorts. The cohort-specific results give clear support to the hypothesis of need-directed (i.e., altruistically motivated) transfer flows. Beyond such general theoretical conclusions, the main return from the comparative exercise is in terms of the specific transfer story of each society. We can observe how intergenerational family transfers function as informal insurance, interacting with and complementing the other pillars of the welfare mix; how they prolong the importance of parents for one's economic and social status well into adult life; and how they create or maintain social bonds in the face of new risks of exclusion. More than single-society studies, the comparative approach thus allows for examining the full set of topical fields for which intergenerational transfers are salient. With the increasing availability of comparative data, it will be possible to extend the range of cases as well as topics to be examined.

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