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PRIVATE AND PUBLIC TRANSFERS BETWEEN GENERATIONS: LINKING THE FAMILY AND THE STATE[1]

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ABSTRACT: In the conventional story of modernization, the emergence of the nuclear family and of public old age security have been seen as parallel and mutually reinforcing processes. According to this view, the traditional intergenerational transfers in the family have been crowded out and replaced by those in the public sphere. In recent years, a growing body of research has demonstrated that substantial transfers between adult generations in the family beyond the nuclear households still exist. Their direction has been reversed, however. The new evidence shows that there is a net downward flow of private resources from the older generations to their adult offspring, i.e. counter to the public transfers. Two questions then arise: How are private and public transfers linked, i.e. to what extent do the private transfers from the older to the younger generations in the family depend on public transfers through old age pensions? And what are the effects of channelling public resources to younger family generations by way of older pension recipients? The paper addresses these questions by taking Germany as the model case.
Key words: generations; family; social policy; aging

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Introduction

This paper is about the family and the state as systems of intergenerational transfers. My aim is to give an overview of family transfers between adult generations and to show how they link up with public transfers. I do not attempt a formal explanation of transfer behavior, for example, in terms of a theory of individual motivation or choice. I will concentrate on another set of issues, namely, what intergenerational transfers achieve; in other words, what effects they have. These issues lie mostly on the macrosociological level; they concern the properties of what are variously called subsystems, domains or institutions, and how they fit or conflict with each other. Some of these issues have been addressed in the literature on the welfare mix between family and state. The question here is whether the relation between these two institutions is one of replacement, substitution and crowding out, or whether and how they interact and complement each other. My main argument will be that public old age security – far from crowding out all forms of family transfers – has created resources that have made possible new links between adult family generations.

I will first restate briefly the conventional story of modernization, and then summarize how the literature on intergenerational relations and transfers corrects this account. The second part of the paper will be devoted to showing the key empirical features of intergenerational transfers, taking Germany as the model case. In the third part, I will discuss how and with what effects public transfers are channelled through the family.

From the family to the welfare state – and back?

The conventional story of modernization goes as follows:

Once upon a time, there was a society – the 'traditional' society, or the 'premodern' society – in which the transmission of status and capital occurred in the family. Life chances were directly inherited, on the one hand through affiliation to an estate (*Stand*) and the corresponding range of possible economic positions and marriage partners, on the other hand through the inheritance of productive capital. Familial authority and economic authority were linked. The *pater familias* decided (within the given inheritance rules) which child received what. In exchange for the transmission of status and capital, children had an obligation to care for their aged and disabled parents.

In the 'modern' society, so the story continues, all this has changed. Life chances are now determined by participation in the individualized labor and marriage market. Entry into the labor market is regulated by school credentials. The influence of the family is reduced to the period before and during schooling; family strategies of children's status maintenance or status improvement must become educational strategies. Status is acquired meritocratically, through achievement only. The risks of work and of old age are no longer covered by the family but by the newly developed welfare state. By this, the economic value of children for their parents has shifted from positive to negative, which is the explanation for the demographic transition to low fertility.

The classical sociology of the family has described this story of modernization in terms of a shift to the nuclear or conjugal family: the link of alliance has been strengthened, while the link of filiation has been weakened (cf. Kohli 1997). A century ago, Durkheim in his lecture on the sociology of the family (1892; cf. de Singly 1993) observed this shift and concluded that the intergenerational horizon of the family – and by this the family itself – would lose its salience. He also predicted that with the increasing individualization of social relations, with material objects losing their hold over people, inheritance would also lose its importance. Half a century ago, Parsons (1942, 1943) analyzed the contemporary American kinship system in terms of a contrast to what had become known about traditional societies – results that had been heavily influenced by Durkheim's approach. Parsons observed the same evolution; he described it – with a conceptual distinction taken from Linton – as a shift from a consanguinous to a conjugal basis of kinship. The consequence for him is a structural isolation of the nuclear family accompanied by a structural isolation of the elderly after the exit of their adult children from the household: 'When the children of a couple have become independent through marriage and occupational status the parental couple is left without attachment to any continuous kinship group' (Parsons 1942: 615f.). This is the source of considerable tension – a tension in which Parsons saw one of the main reasons for the debate on public old age security schemes.

The changes in the family and the development of the welfare state may indeed be seen as parallel processes, with a functional shift from one to the other, and even some form of elective affinity between the modern patterns of the two institutions. Many authors who are critical of welfare state development, however, have viewed its relation to the family as one not of replacement only but of crowding out; in other words, they have viewed the expansion of the welfare state not as the complement but as the cause of the weakening of the intergenerational link in the family (cf. the excellent discussion by Künemund and Rein 1998).

A growing body of literature has repeatedly taken as its point of departure the Parsonian concept of the nuclear family, and has tried to refute it. My paper participates in this effort. I will not deal with the historical claim of an increasing isolation between adult children and their aging parents, i.e. with issues that require data over time. Instead I will demonstrate that even today there is a very considerable circulation of capital among adult family generations – to an extent much beyond what the concept of the nuclear family would allow.

There is one piece of evidence that appears to support Parsons' claim: the development of co-residence among adult family generations. It has decreased massively in all Western societies. Today, among the 70 to 85-year-old Germans who have at least one living child, only 9 per cent live together with a child in the same household (cf. Kohli *et al.* 1997). However, by extending the boundaries of 'togetherness' the situation turns out to be very different. If one includes parents and children living not only in the same household but also in the same house, the proportion rises from 9 to 27 per cent, and by including the neighborhood, to 45 per cent. Nine-tenths have a child living no further than two hours away. Thus even the living arrangements are not very good evidence for the claim of dissociation between parents and adult children.

In other respects, the record is even clearer (cf. the recent overviews by Lüscher and Schultheis (1993) and Lye (1996)). Especially pertinent here is the large sociological literature on care giving and exchange of services (e.g. Logan and Spitze 1996). Other studies focus on intimacy, emotional support and the quality of relationships; they show, for example, that adult children and their parents have frequent contact (Lye 1996) and that they overwhelmingly rate their relationship with each other as close or very close (Szydlik 1995). The field of material transfers and inheritance has long been left to economics (cf. the overview by Masson and Pestieau 1996); the sociological literature has been slow to develop (Bengtson and Harootyan 1994, Attias-Donfut 1995, Szydlik 1998). This neglect needs to be redressed. Material transfers are not only an important part of the intergenerational linkages in the family; they are also the most appropriate field for studying how the family and the welfare state interact.

The current pattern of transfers

Comprehensive data on family transfers are scarce. In several countries, the transfer issues have been addressed within the broader context of support and services between generations, but usually with limited samples that make comparisons almost impossible (e.g. Bien (1994) for Germany; Coenen-Huther *et al.* (1994) for Switzerland; Finch (1996) for Great Britain; cf. also the study by Gulbrandsen and Langsether (1997) for Norway). There is only a small number of countries where the requisite data are available on a nationally representative scale. The most extensive information so far exists for the United States, where several datasets have been used for this purpose (cf. Lye 1996, McGarry 1997). France has the only large-scale study based on information obtained from three generations of the same families (Attias-Donfut 1995). For Germany, we now also have the data at our disposal. But even among these three countries, a systematic comparison would require further analyses that are beyond the scope of this paper. Instead I will take Germany as the model case, and restrict myself to a few comparative excursions.

My analysis is based on the German Aging Survey, a large representative survey of the 40 to 85-year-old German nationals living in private households collected in the first half of 1996. The sample (n = 4,838) is stratified according to age groups, gender, and East and West Germany. The survey program comprises sociological measures of the various dimensions of life situations and welfare – among them, intergenerational relations and transfers – as well as psychological measures of self and life concepts (cf. Dittmann-Kohli *et al.* 1997, Kohli and Künemund 1998).[2]

Family transfers are of two kinds: between living family members (*inter vivos*) or as bequests. Bequests are more important in size. For the US it is estimated that (among the elderly) their relation to *inter vivos* transfers is about 3:1 (Gale and Scholz 1994), and for Germany the relation may be similarly lopsided (cf. below). But *inter vivos* transfers are more interesting, in terms of social policy (they reach their beneficiaries earlier in life when their needs are larger) as well as in theoretical terms (they are part of an ongoing interaction process and open up a broader range of motives and negotiations). For this reason the following discussion will focus on *inter vivos* transfers, and take up issues of bequests and inheritance in only a few instances.

To what extent do transfers to and from other persons occur, to what extent do they remain in the family, and which direction do they take? Figure 1 presents some of the answers. The first key result is that transfers among the 40 to 85-year-olds are highly asymmetrical: 31 per cent have made larger gifts of money or commodities, or given regular financial

2. 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 (The Netherlands) together with infas Sozialforschung, Bonn, and financed by the Federal Ministry for Families, Elderly, Women and Youth. The sole responsibility for the content of this paper lies with the author. For a more complete account of intergenerational transfers, cf. Motel and Szydlik (1998); the differences between East and West Germany are analyzed by Kohli *et al.* (1998).

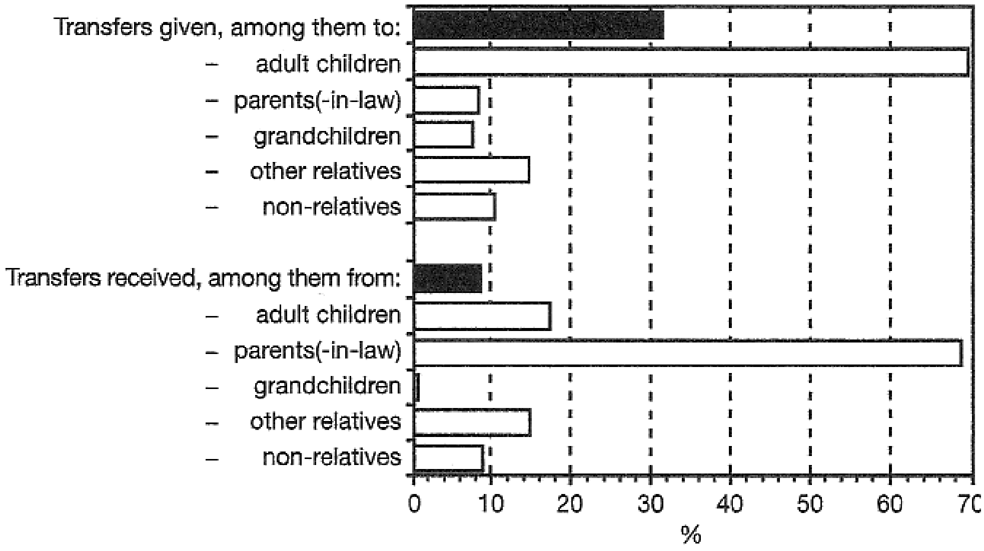

Figure 1. Private transfers given and received by the 40 to 85-year-old Germans
German Aging Survey 1996, weighted numbers (n = 4,838)
Source: Motel and Szydlik (1998)

assistance to at least one other person during the twelve months prior to the survey, while only 8 per cent have received such material transfers.[3]

Figure 1 also shows that the transfer process is concentrated in the family lineage. The transfers go mainly downward, from the older to the younger generations. Among the transfer givers, almost 70 per cent give to their adult children.[4] In 7 per cent of the cases transfers go to grandchildren, and in 8 per cent to parents(-in-law). Other relatives are the beneficiaries for 15 per cent of all transfer givers, and non-relatives for 10 per cent. The sources of transfers to our respondents corroborate this pattern. Among the 8 per cent who have received transfers, almost 70 per cent have benefited from their parents(-in-law), and 17 per cent from their adult children. Grandchildren do not play a role here: only one of our respondents received a transfer from a grandchild.

In Figures 2 and 3 the lineage transfers are examined more closely, and supplemented by the flows of instrumental support among generations. The age range of 40 to 85 corresponds to widely differing life situations and needs to be broken down. Figure 2 gives the pattern for the 40 to 55-year-old respondents. The basis of the calculations is different from

3. A breakdown by age (not given in Figure 1) shows that the asymmetry grows with age: 29 per cent of the 40 to 54-year-olds, but 33 per cent of the 55 to 69 and 32 per cent of the 70 to 84-year-olds have given transfers, while the receivers amount to 13, 5, and 3 per cent, respectively.
4. 'Adult children' are defined as biological children as well as stepchildren and adopted children of at least age 18.

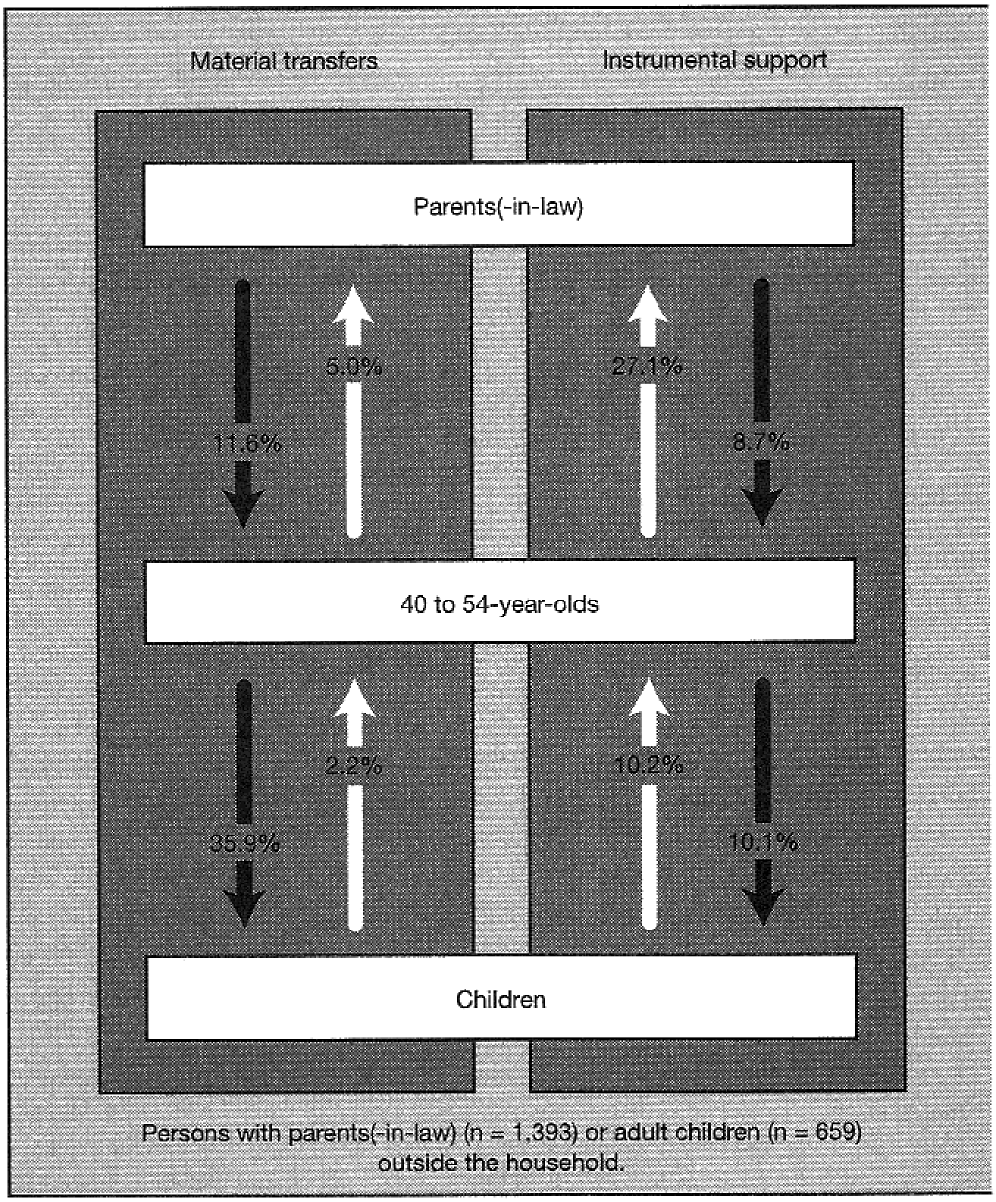

Figure 2. Transfers and instrumental support between family generations in Germany (40 to 54-year-olds)

German Aging Survey 1996, weighted

Figure 1: the proportions of transfers and support are based only on those who have at least one living kin in the respective group.[5] In this perspective, the proportion of those giving transfers to their adult children

5. Cf. Kohli *et al.* (1997) for an account of the family demographics and household constellations.

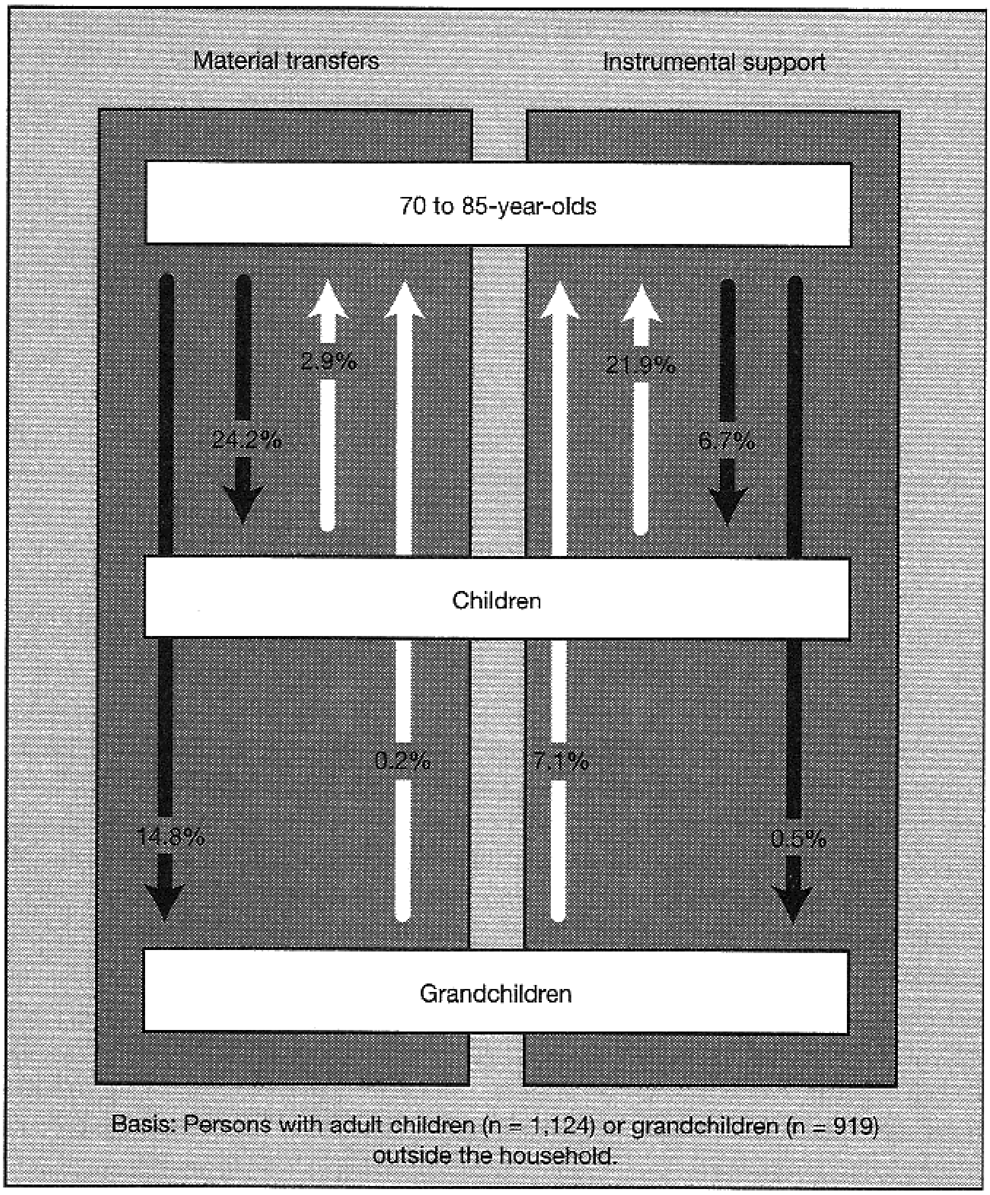

Figure 3. Transfers and instrumental support between family generations in Germany (70 to 85-year-olds)
German Aging Survey 1996, weighted

(36 per cent) is even larger.[6] The overwhelmingly downward direction of material transfers is again evident. With regard to instrumental support – for example, help with household tasks (care giving is not included here) –

6. In addition to transfers in the last twelve months, we have also asked for 'major gifts of money or commodities' at any time previously. By including these transfers, the proportion of givers rises again – more than 40 per cent of parents have made transfers to their adult children.

the situation is different. Between the respondents and their children the flow of support is balanced, while between respondents and their parents(-in-law) the net direction of flows is clearly upwards.

Figure 3 shows the pattern for our oldest age group, the 70 to 85-year-olds, with grandchildren instead of parents included. The general picture is similar to that for the middle-aged group.[7] The proportion of these elderly giving transfers to their children (24 per cent) is somewhat smaller than for those in middle age, but in addition there is a sizable transfer rate to grandchildren (15 per cent). The material transfers again have a strong downward direction from the older to the younger family generations, while for instrumental support the flow is reversed. The pattern is not simply one of a cascade in which the flow from the first to the second level is then transferred from the second to the third; instead, there are also substantial transfers to non-adjacent generations.

The transfer rates obtained for Germany are roughly similar to those for the US (cf. also Szydlik 1998). McGarry (1997) reports that in the Health and Retirement Survey (HRS), where respondents are between the ages of 51 and 61, 29 per cent of the families have made a cash transfer (of $500 or more) to at least one adult child in the previous twelve months, while in the Asset and Health Dynamics Survey (AHEAD), with respondents aged 70 years or older, the proportion is 25 per cent. In France, the rate seems to be considerably higher. In the French three generation study (Attias-Donfut 1995) which is based on a nationally representative sample of those aged 49 to 53 years with at least one adult child outside the household and a living parent, 64 per cent of the respondents of this 'middle generation' have made a transfer to their children within the past five years. This difference may of course be partly attributed to the longer reference period (five years instead of one year) chosen for the French survey. Transfer answers have proved 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 apart from the measurement problems, this higher proportion 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 in France and Germany indeed shows a clear difference, with obvious historical roots (Attias-Donfut 1998).

The comparative issues that are raised here merit some additional reflections. To some extent, differences in private transfer regimes may

7. We speak of 'age groups' here, even though with our cross-sectional data we cannot of course exclude the possibility of cohort effects. However, our analyses so far have given few indications that would speak for the plausibility of cohort effects.

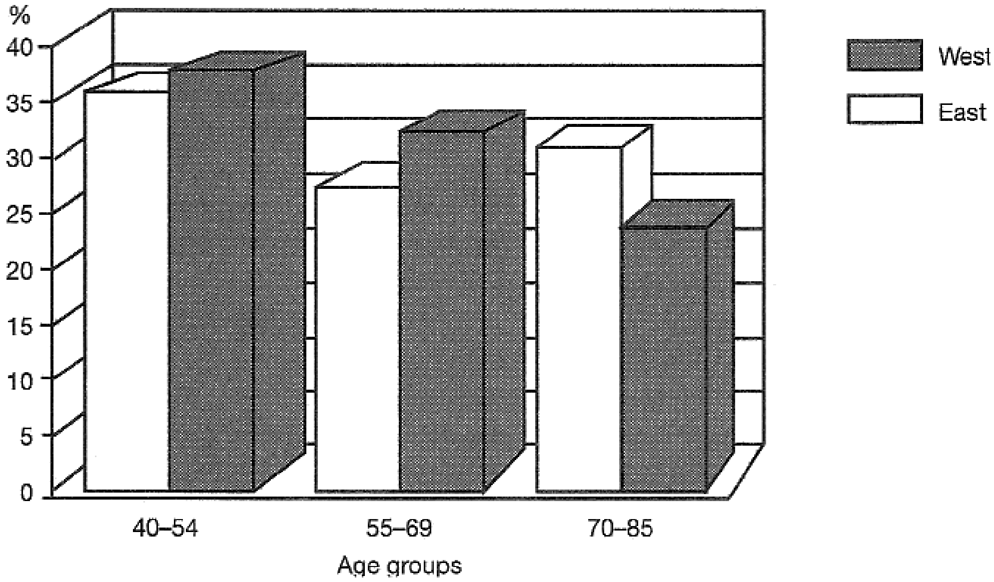

Figure 4. Transfers given to adult children in East and West Germany by parents' age groups
German Aging Survey 1996, n = 3,233
Source: Kohli *et al.* (1988)

plausibly be related to the differences in public welfare regimes. If we accept Esping-Andersen's (1990) distinction, the US 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 US (where, for example, public pension incomes make up a substantially lower part of the pension incomes overall). However, there are clearly other differences 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. Whether it will be possible to construct this multi-dimensional space in such a way as to result in a limited number of meaningful 'family regime types' remains to be seen. France and Germany are close in terms of welfare regimes but differ in terms of family regimes, with Germany possibly being a 'special case' on the basis of its 'special path' (*Sonderweg*), i.e. its Nazi past which still seems to partly infect its present intergenerational relations. Germany and the US differ both in terms of welfare and family regimes – differences that seem to cancel themselves out with regard to *inter vivos* transfer rates.

Germany presents an interesting internal comparison (Figure 4): that between East and West (cf. Kohli *et al.* (1998) for a broader discussion). In many respects, East and West Germany are still two distinct societies. Differences observed today can be attributed either to the four decades of the socialist system or to the transformation period since 1990. Taking both sides into account, we expect that there are more intergenerational transfers in East than in West Germany, at least among those groups which still have resources for transfers. On the aggregate level, there are still important income differences between East and West, and even more important wealth differences. For home ownership, the relation between East and West in 1993 was about 1 to 1.8, and for mean household wealth, 1 to 3.6 (Wilk 1995: 45f.).[8] Within this aggregate picture we can identify groups that have been relative winners and losers of the transformation process. With regard to age groups and cohorts, the losers are those in mid-life, and the winners are the pensioners. In our data, the oldest age group (70 to 85) is the one with the lowest 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 for the 70 to 85-year-olds. This group is also the one with the highest proportion stating that their living standard has (much or somewhat) improved over the last ten years. This distribution of resources accounts for the fact that the difference in transfer behavior between East and West is reversed for our oldest age group. The latter is closest to the 'true value' expected under equal resource constraints.

The results from bivariate analyses can of course be misleading. In Table 1, the correlates of transfer giving to adult children are modelled by multivariate logistic regressions. The basis here are dyads of parents (among our respondents) and their adult children not living in the same household. The models for the three age groups are rather similar – while the effects are not uniformly significant across the three age groups, they largely go in the same direction – with the one clear exception of the East–West difference where the pattern found in the bivariate description (Figure 4) holds in the multivariate analysis as well.[9]

The strongest effects are those of the material resources of the parents and those of the labor force status of the children. Income position is a highly significant predictor of transfer giving, with those in the highest two quintiles being more than twice as likely to give than those in the

8. With large wealth, not usually picked up by surveys, the contrast is even more dramatic. In important ways, East Germany now has capitalism without capitalists – owners as well as controlling elites.
9. The difference between the age groups shown in Figure 4 is mostly due to other factors, such as income and wealth; in a multivariate model across all ages the age effect almost disappears (Motel and Szydlik 1998).

TABLE 1. Transfers given by the 40 to 85-year-old Germans to their adult children outside the household (logistic regressions)

			Younger age group (40–54 y.) n = 836	*Middle age group (55–69 y.) n = 2418*	*Older age group (70–85 y.) n = 1922*
Attributes of parent [respondent]	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)	two children	1.00	0.98	0.90
		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/East Germany (1 = West)		1.30	1.22	0.71***
Attributes of child	Labor force status (Reference: employed)	in education or unemployed	1.98***	1.72***	1.92***
		housewife/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	–	–	0.76**
		up to 30 years	0.97	0.84	–
Attributes of the parent–child relationship	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^2		0.11	0.11	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

lowest two. The availability of wealth also has a high positive effect. In addition, the number of adult children is inversely related to transfer giving. On the other hand, living together with a (married or unmarried) partner does not have a significant effect, and parents' level of education is only marginally significant.

With regard to the labor force status of the child, the significant criterion is those who are in need because they are in education or out of work. Of all the adult children in either of these conditions in our sample, 41 per cent receive transfers from their parents, compared to 22 per cent for those actively working, and 20 per cent for housewives/men and others. The targeting of *inter vivos* transfers to those children who are in a poorer economic position is strongly confirmed for France and the US as well. In the US, a large majority of parents during their lifetime give unequal amounts to their different children but divide their bequests equally (McGarry 1997).

This brief data overview has shown that transfers between adult generations in the family are sizable. The net direction of transfer giving is downward, from the older to the younger generations, and thus in the opposite direction to the public social security transfers. With regard to different types of resources and services, the overview has shown that there is some 'reciprocity' in the aggregate: net downward material transfer giving between parents and children is to some extent (although not completely) 'balanced' by net instrumental support in the upward direction. In terms of reciprocity, two desiderata that require further analysis immediately arise here. The first would be to create a fuller balance by including the other forms of help besides what we call instrumental ones, for example, emotional support, care for disabled family members, and taking care of grandchildren, and by putting price tags on them. The second would be to create balances on the individual level, to check how and with what effects reciprocity is achieved in individual families and in individual parent–child dyads. This second aspect would link up with studies demonstrating how expectations of reciprocity are formed and negotiated (see e.g. Finch and Mason 1993), and how a specific child is 'designated' as a future care keeper (see e.g. Hareven and Adams 1996, Henretta *et al.* 1997).

However, the main point to pursue here is the relation between the private and the public transfers. On the aggregate level, it forms a clear and surprising pattern: part of the public transfers from the employed population to the elderly are handed back by them to their family descendants. It has to be conceded that this pattern is limited by three factors (cf. Motel and Szydlik 1998). First, compared to pension levels the mean *inter vivos* transfer amounts of about 6,700 DM per year for the whole sample, and about 7,250 DM for those aged 60 and over are rather modest.[10] Second, almost 70 per cent of parents or grandparents had not participated in this form of back-financing in the twelve months before the survey. Third, those who make the contributions in a pay-as-you-go system – i.e. the economically active – are not the primary recipients of family transfers (which, as shown above, go disproportionately to those members of the descending generations who are unemployed or still in education).

The first and second of these factors merit more close examination. How do the sums transferred in the family compare with those in the public old age insurance? A rough aggregate estimation for Germany gives a first indication of the order of magnitude. In 1995, the payments of the public pension systems totalled 380 billion DM.[11] The population above age 60 (approximately the mean age of entry into the pension system) was 16.9 million. According to our data presented above, about 32 per cent of them gave and 4 per cent received *inter vivos* transfers, resulting in a net proportion of givers of 28 per cent. If they gave 7,250 DM each, this amounted to a total transfer sum of 34.3 billion DM, or 9 per cent of the pension sum.

On the individual level, the correspondence between public and private transfers can be traced more directly and reliably. The outcome is even clearer. Among the 60 to 85-year-olds the availability of public transfers is nearly universal, and they are by far the major income source: 92.7 per cent of households draw at least one public old age pension; the income from these pensions amounts to 83 per cent of total household income of all households (82 per cent in West and 89 per cent in East Germany). As regards private transfers, the mean transfer amount varies from about 3,700 DM in the first to about 10,400 DM in the fifth income quintile. Relative to total household income, transfers represent 16 per cent (relative to total pension income, 19 per cent); if these proportions are corrected for transfers received, they amount to 14 and 17 per cent, respectively. We have seen that the rate of transfer giving rises significantly along the income quintiles, but among the respondents who do give transfers, those in the first and in the fifth quintile give almost the same proportion of their household income: 15 and 16 per cent, respectively. The highest proportion with 22 per cent can be found in the second

10. These are conservative values because we have measured the transfers with a categorical scale aimed largely at differentiating smaller amounts, and in which the top category is '20,000 DM or more'. On the other hand, the values also include those (few) cases where transfers do not go to family lineage members.

11. The pensions paid out by the three main public pension schemes amounted to 318 billion DM (VDR 1997: 14). The pension scheme for civil servants paid out another 56 billion, that for farmers 6 billion (Bundesministerium für Arbeit und Sozialordnung 1997: 680).

quintile. Thus, while there is some inequality, giving is by no means restricted to the upper income levels. There are substantial transfers given also in the lower quintiles where dependency on current pension income is highest.

As noted above, bequests among the elderly are considerably more important than *inter vivos* transfers (cf. Szydlik (1998) for a detailed account). Among our respondents or their partners, 47 per cent have already received an inheritance – the large majority from their parents(-in-law) – and 19 per cent expect one in the future. Twenty-six per cent of those who own their home have inherited it or received it as a gift. Most of the bequests are of small or medium size. Three-quarters of the bequests received, and 70 per cent of those still expected, amount to not more than 100,000 DM – a result which relativizes the high inequality of inheritance in the top brackets usually noted in the literature (cf. below). Since our data do not include the timing of inheritance, they cannot be used for assessing annual inheritance sums. An estimation by the German Federal Bank of 1993 put the annual amount of private inheritance for the 1990s at about 100 to 200 billion DM (with an increasing trend). It is of course not possible to relate this sum directly to the pension sum because the wealth that is bequested has been accumulated over a whole lifetime (and may itself have been partly inherited); but at least for smaller bequests it is plausible to assume that they would be considerably diminished were it not for the availability of pension incomes.[12]

Public transfers as family transfers

If we have established that part of the public transfers to the elderly are channelled back to the young through transfers in the family, what are the effects of such a pattern? If viewed as part of a system of generational accounting, it creates a detour which might better be avoided. The question could be asked in a functionalist frame as well: What are the functions and dysfunctions of such a detour arrangement?

I will not go into one important dimension of transfer channelling, namely, its distributional effects, because we still lack much of the requisite information. For inheritance, the patterns are rather well

12. It should be added that the elderly also contribute productive activities in the form of volunteerism, care for (grand-)children and care for the disabled. If these activities are assessed at net salary rates for comparable occupations, their market value in 1995 amounted to another 81 billion DM, or 21.3 per cent of the pension sum (cf. Künemund 1998).

known.[13] For *inter vivos* transfers, however, this is not the case. Our data on the distribution of transfer giving reported above give some indications as to the likely outcomes, but data on the receiving end are scarce. The one exception is the French three generation study which shows that, contrary to expectations, the transfers to the young generation result not in an increase but in a slight decrease of equivalence income inequality among them (Attias-Donfut and Wolff 1997).

One function of the private transfers is to produce legitimacy for the public generational contract. It is plausible to assume that the high acceptance of the public old age pension system even among middle and young adults that is (still) demonstrated by survey data can be partly attributed to these return transfers in the family. Middle and young adults know that the public pension system not only eases their burden of responsibility for the welfare of their parents but also allows them to expect material support in times of need and and/or bequests at the time of their parents' death. But this alone is hardly a sufficient argument for the transfer detour.

In fact, on first sight such a detour arrangement seems unreasonable and inefficient. One may even be tempted to label it a case of institutional perversion. For some economists, observing that in the aggregate the elderly have more resources than they consume, i.e. resources to give away through *inter vivos* transfers or bequests, proves that they receive too much income, and that therefore their pensions could be reduced (see e.g. Börsch-Supan 1992; cf. the discussion by Künemund and Rein 1998). Moreover, to the extent that these transfers go to younger generations in need of supplementary income, it would be more efficient for the public social security system to give it to them directly, instead of taking the detour via the elderly. The criticism is directed not only at the pension system but even more at recent provisions that have increased the possibility for such a detour, especially the compulsory public long-term care insurance in Germany. This scheme may be called an inheritance-saving device: it allows those who run up large expenses for care at the end of their life to keep the part of their wealth that would otherwise be consumed by these expenses. The inheritance-saving effect is obviously larger for smaller fortunes; until the enactment of this insurance, many small fortunes were completely wiped out by the rapidly accumulating costs of long-term care.

13. 'Inheritance is probably the main factor of wealth concentration among the richest part of the population, and of its intergenerational reproduction. Thus, more than half of American citizens who have died rich (the top 1 percent) have received a sizeable inheritance. On the other hand, the role of inheritance on wealth inequality appears more modest for the rest of the population' (Arrondel *et al.* 1996: 15).

Transfers and bequests to descendants present something of a problem for the traditional economic model: that of maximizing one's utility by smoothing differences over the life cycle through savings and dis-savings. Masson and Pestieau (1996) distinguish three groups of motives for bequests: accidental, voluntary, and capitalist. 'Accidental' bequests occur as a consequence of precautionary savings and deferred consumption: because of the uncertainty of one's life span and the imperfections of capital markets (pertaining, for example, to annuities or housing), individuals and households cannot – contrary to what is claimed in the life cycle savings theory – optimize their saving and dis-saving behavior over the life span. Thus, unspent wealth remaining at the end of life represents an information deficit: the inability to exactly predict one's time of death. Perfectly efficient capital markets should be able to solve this problem; it would then be rational to hand over all one's wealth to a capital fund in return for a corresponding lifetime annuity. 'Voluntary' bequests (or *inter vivos* transfers) range from pure altruism to paternalistic behavior to self-interested strategic exchange. For individuals interested in maximizing their own personal utility only, bequests are rational insofar as they result in a better treatment by the descendants (the 'strategic bequest motive'; cf. Bernheim *et al.* 1985), i.e. insofar as they give the bequeathing persons some control over the behavior of their descendants. On the other hand, many economists accept the possibility of altruism, or even see it as the primary motive in intergenerational family relations (e.g. Becker 1991: 364). Finally, 'capitalist' or entrepreneurial bequests (or *inter vivos* transfers) are directed to 'accumulation for its own sake', or more precisely, to creating and conserving an estate beyond one's own personal existence.[14]

With regard to empirical reality, this classification – as Masson and Pestieau themselves concede – is too schematic. Its purpose for them is not to offer a full psychological explanation but to assess how people will react to changing incentives, for example, those of economic policy. Becker (1991: 279) makes a similar emphasis: '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.' Of course, if these conceptual constructions are too far from how people are really motivated (with or without quotation marks), or how motives are negotiated in interaction, they will not be very useful in predicting behavioral responses.

14. Masson and Pestieau (1996: 17) mistakenly claim that this type of bequest 'concerns only the well-to-do'. The main historical model, however, and one that is still found today is the family farm. Here, the 'estate thinking' (*Hofdenken*) has meant that the life of the farm takes primacy over the indivual lives of the succeeding generations of family members.

The sociological perspective, however, is not satisfied with individual motives, whether in psychological (or 'philosophical') terms or in terms of responses to changing incentives. It is mainly interested in institutional effects: in what the family as an institution (as distinct from the state with its old age transfer system) achieves; in other words, how transfers through the family differ in their effects from those through the state. There are four main arguments to be made here.

1. The first argument refers to *improving the position of the elderly* in the family. The argument may be framed in either cultural or utilitarian terms. In cultural terms, as the literature on gifts since Mauss has amply shown, one's status is enhanced by giving without receiving, and diminished by receiving without giving back. Being able to give may be especially important for the elderly, whose public status is threatened by their withdrawal from the labor market, and who in the family risk status reversal (cf. Künemund and Rein 1998: 7). In utilitarian terms, being able to 'give' may mean being able to buy compliance: in terms of direct provision of instrumental help and other services, but also in terms of less tangible goods such as deference and attention. This corresponds to the 'rational bequest motive' mentioned above.

   This argument is similar to what Bismarck seems to have had in mind when he said in support of his plans for a comprehensive public social insurance scheme that even modest pension amounts would enhance the status of the old by increasing their ability to contribute to their (multi-generational) households (cf. Ritter 1983: 35f., 69). At that time, the position of the elderly who were unable to earn their living any more was indeed one of utter dependence. Bismarck's argument has been valid especially for families at the margin of the formal sector of the economy, and with little cash income; in such families, the cash pension received by the elderly has made them a uniquely valuable resource. This can be seen up to this day in contexts where pensions are introduced into an economy that still has an important informal sector. For fully modernized contexts, it may seem less appropriate since it may further an undesirable gerontocratic tendency. But modern societies with their dynamics of innovation tend to devalue the elderly, and obligations towards them tend to lose some of their normative force; giving them the means to improve their position in the family may be an appropriate compensation.
2. The second argument is one of *social control*: the elderly are empowered with resources so that they can exert some control over the young. It can refer to various dimensions in which the elderly typically differ from the young, for example, being more conservative, less aggressive, and less inclined to take risks. There are also cohort differences which

may come into play, with current cohorts of the elderly being more inclined towards materialist and achievement values, and less inclined towards post-materialism and hedonism.

3. The third argument refers to the *welfare of the young*. This presupposes parental altruism, for which there is strong evidence not only for parents with young children, but for gifts and bequests to adult children as well (cf. Becker 1991: 364ff.). As I have shown above, the transfer behavior of parents is strongly related to the needs of their children. To the extent that need is constituted by, for instance, unemployment or education, this could be the focus of direct public transfers as well. But families may be a more effective system of gauging needs and mobilizing resources. Altruistic parents may be not only 'good caretakers' in that they consider the effects of their actions on the welfare of their children (Becker 1991: 364), but also good observers of needs and of how to best cope with them. By this, they may be better able to exclude moral hazard as well; altruism thus incorporates social control.

   This argument can also be couched in terms of efficient insurance. In this view, the family transfers are an insurance system for the risks of the market economy incurred by the young. There is a theoretically well-developed parallel in economic anthropology (see e.g. Scott 1976), where it is shown that the subsistence economy – the older family members left behind as farmers in the countryside – serves as an insurance for the market risks to which the young are exposing themselves when they enter the formal sector in the cities.[15] The subsistence economy can fulfill this role because it is less dynamic: because its participants follow a strategy not of profit maximization but of risk minimization. In a similar way, the elderly can be seen as good insurance agents insofar as they are more prone to defer consumption, to accumulate savings, and generally to be careful with their resources.

   This brings us back to the issue of different forms and criteria of exchange between the family and the state. Arguments along this line correspond to some of those that are made in favor of a welfare mix or welfare pluralism (see e.g. Evers and Olk 1996, Kaufmann 1997, Rein and Rainwater 1986). Here it is claimed that a mix of several systems or institutions of welfare production is superior to one source only. Today

15. The same argument has been made with respect to the history of the Western economies, where the growth of the formal sector depended on its links with the still substantial agrarian sector (Lutz 1984) – links that were mediated by family relations (Hareven 1982). As an example, during the Great Depression of the early 1930s in Germany, the possibility of falling back on agricultural resources was still critically important (Lutz 1984). Attias-Donfut and Lapierre (1997) show how family solidarity based on a traditional economy interacts with a modern welfare state.

this is usually an argument against the primacy or even monopoly of the welfare state, focussing either on its inherent shortcomings or on social changes that – so the claim goes – make it increasingly unable to fulfill its role. The claim can refer to the individual recipients, by pointing out their advantage in being able to combine several sources of welfare. This advantage can be formally couched in the arguments of economic portfolio theory, where portfolios are assembled to minimize risk (cf. Rose's (1992) analysis of what he calls 'portfolios of economies', i.e. of sources of income).

More salient for the purposes of this paper is the claim that refers to the institutions, by pointing out their specific production styles. To the extent that family transactions are regulated by altruism and affection, it follows that material transfers are accompanied and complemented by such other dimensions of exchange, thereby increasing their value for the recipients. (In economic terms, the family thus presents a better cost–benefit relation – i.e. higher productivity – than other institutions such as the welfare state.) Transfers that are re-routed through the family therefore have a higher welfare effect than if they were directly paid out by the state.

4. This leads to a fourth argument that focuses on the *quality of the exchange* itself. It might be called the structuralist argument: flows of money or goods constitute social relations. Transfer giving means reinforcing the link between members of different family generations, and thus reinforcing social inclusion and cohesion. If the sociology of transfers is attentive only to their specific effects, it misses (to use Simmel's term) its most fundamental question, that of sociation (*Vergesellschaftung*).[16]

If the arguments up to this point are charged with painting a too rosy picture of family relations among adult generations, I plead guilty, but would be ready to supplement them with accounts of intergenerational dynamics and conflicts. Here again, qualitative approaches are especially well suited. They show that in the negotiation of affect, responsibility and support among adult family generations – even though their relations are generally close – the potential for conflict is never completely absent. Intergenerational relations are inherently ambivalent (Lüscher and Pillemer 1998). There is a tension between two normative principles that are both legitimate today: solidarity and autonomy; open conflicts develop

16. A fifth argument, on a very different level, is that of fiscal politics. For reasons of the political economy of the welfare state, pensions are more resistant to being downsized than, for example, payments to the unemployed or other needy groups. Benefits directed at the young (for example, for higher education) seem to be especially prone to fiscal self-service.

especially where solidarity is overextended in the sense that the needs for support become too intensive and durable (Kellerhals 1998). Transfers and bequests are obviously themselves an important potential source of family warfare. Especially vivid cases of family dynamics and conflicts are found among those families in which the generational succession is (still) linked to the transmission of productive capital, for example, farm families (cf. Bohler and Hildenbrand 1997, Brauer 1998). But the visibility of conflict is higher than its frequency. And it should be remembered that conflict is also a form of sociation.

Conclusion

The results of the analysis of family transfers presented here are unequivocal: *inter vivos* transfers among family members living in separate households are substantial, they usually go to lineage descendants, and they are targeted at the latter's economic needs. This is true for Germany (West and East) as well as for the comparative cases of the US and France. The link to public old age pension transfers is more difficult to ascertain and will require more specific analyses, but the evidence so far shows that on the aggregate level, some of the public pension transfers to the elderly are channelled back to younger generations through family transfers, and that on the individual level, transfer giving to family descendants depends on the availability of public pensions at least for the less well-to-do elderly. The social effects or functions of this 'detour' pattern may be the most controversial part of our discussion; they are worked out here in hypothetical form, and will need to be further developed empirically. But to the extent that they are plausible, they show that public old age security has made possible new links between family generations, links that are important parts of the welfare mix and of the social fabric of contemporary societies.

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