Rev Econ Household (2014) 12:487–491
DOI 10.1007/s11150-014-9260-y

A note on altruism and caregiving in the family: do prices matter?

Shoshana Grossbard

Received: 8 July 2014 / Accepted: 14 July 2014 / Published online: 27 July 2014

Abstract Exchanges of work for money and altruism are two alternative explanations for bequests, transfers from children to older parents, and in-family caregiving. Such exchanges may also occur in couples living together and are therefore a major theme in economic analyses of marriage. This note emphasizes two ways that the literature on altruism and inter-generational monetary transfers and the economic literature on marriage can enrich each other: the concept of price for in-family caregiving can be expanded along the lines of the analysis of Work-In-Household and market analyses of marriage can pay more attention to altruism as an alternative explanation for observed behaviors such as labor supply or consumption.

Keywords Altruism · Love · Caregiving · Family · Childcare · Elder care

JEL Classification D12 · D13 · D14 · E21 · I12 · J12 · J13 · J14 · J22 · J26 · Z13

In the past economic models have expressed 'altruism', 'love', and 'caring' in terms of one person including another person's consumption in his or her utility function (for instance, Becker (1974) on love and caring between husband and wife and Becker (1981) on altruism). Increasingly, when economists write about caring, they mean that one person provides a helpful service to another, what Folbre (2012) calls 'care work' and Ku et al. (2012), Lopez Anuarbe (2013) and Adams et al. (2014) call 'caregiving'. Much of the caregiving that economists analyze is provided by

S. Grossbard (✉)
San Diego State University, San Diego, CA, USA
e-mail: shosh@mail.sdsu.edu

S. Grossbard
IZA, Bonn, Germany

family members, and its motivation is often altruism. However, caregivers may also be motivated by monetary incentives offered by the family members benefiting from the services being supplied. Likewise, family members giving money to one another may be doing it either out of altruism or as a payment for caregiving.

In this special issue of the *Review of Economics of the Household* guest-edited by Alberto Molina (2014) a number of papers consider altruism and in-family payments for caregiving as two alternative explanations for the intergenerational monetary transfers they study. In this note I compare such in-family exchanges of work for money across generations with in-family exchanges of work for money between spouses. In line with Grossbard-Shechtman (1984) I explore the possible role of prices as motivators of in-family caregiving and present some insights derived from thinking in terms of both prices and altruism.

Focusing on bequests, a downstream monetary transfer, Horioka (2014) recognizes that two of the reasons why parents leave bequests to their children are altruism and rewarding children who take care of their parents while they are alive. This alternative to altruism involves self-interest on the part of parents receiving care from their children in exchange for the promise of a bequest. One could also ask whether the children were motivated by the prospect of a bequest or by altruism when they provided caregiving to their parents.

Park (2014) analyzes an upstream transfer: adult children giving money to older parents. He too considers altruism and intra-family exchanges of time for money as two of the alternative motivations for such intergenerational transfers. In this case money may be exchanged for parental services benefiting the adult children, such as baby-sitting grandchildren. Again, one could look at this possible exchange from the perspective of the grandparents: were they motivated by the prospect of a payment or by altruism when they supplied their caregiving?

In both cases there are possible exchanges of work for money by two generations within a family: one generation may pay and the other generation may provide a service in return. Where monetary transfers flow downstream—as in the case of bequests—the service flows upstream: children supply work benefiting the parents. Where monetary transfers flow upstream (adult children helping older parents financially) the service goes downstream: the parents supply work benefiting the children.

What can we learn about such in-family exchanges of work for money across generations from models of in-family exchanges of work for money found in the economic literature on marriage, a literature analyzing exchanges between spouses and partners typically belonging to the same generation and tied by choice, not by birth or adoption. In Grossbard-Shechtman (1984) I introduced the concept of household labor, which I now call 'Work-In-Household' or WiHo. WiHo is defined as a service that one spouse performs for the benefit of the other and possibly gets compensated for by that other spouse. The concept of WiHo also applies to the baby-sitting services that grandparents provide to their grown children and to the caring of elderly parents by their adult children. Bequests are one way by which parents may pay for their children's WiHo; monetary transfers are one way that grown children may pay their parents for their baby-sitting WiHo. Do prices for such WiHo matter?

Grossbard-Shechtman (1984) presents a Demand and Supply model for WiHo supplied by either men or women. Based on Becker's (1973) second Demand and Supply model of marriage (a model not reproduced in Becker's (1981) *Treatise on the Family*) it uses the following assumptions also found in Becker's model: household production is the goal of marriage (or non-marital cohabitation), there are multiple types of substitutable men M and women F, utility is transferable, individuals are heterosexual and monogamous, and a price mechanism operates in this and related markets helped by the process of competition.

In a market for one particular type of man M_i and one particular type of woman F_i there is a price for a woman's (man's) WiHo. Demand (by the other sex) is downward-sloping: the more expensive it is to obtain caregiving or WiHo from a spouse, the smaller the quantity demanded. The supply is upward-sloping: the more one gets paid to provide WiHo to a spouse, the more one is likely to provide such services. An equilibrium price of WiHo is established at the intersection of aggregate supply by one type of men (women) and aggregate demand by one type of women (men). This price is rarely measurable, but it has measurable implications for individual consumption (the higher one's price the more one is likely to access consumption goods relative to the spouse) and labor supply (the higher a person's price of WiHo the less that person is likely to supply labor in the labor force in order to obtain access to consumption goods).

Likewise, one expects that the more a parent pays per unit of caregiving (let's say measured in hours) the more a child will supply such care, and that the more an adult child pays for her parent's childcare services the more her parent will be willing to do such work. The supply of intergenerational caregiving is thus upward-sloping, regardless of whether the services go upstream or downstream. For this caregiving to be WiHo in the same sense as WiHo supplied by spouses there needs to be one family member willing and able to pay for the service. In the case of Horioka's bequests, parents are able and willing to pay and thus have a demand for caregiving; in the case of Park's transfers to parents, grown children are able and willing to pay and have a demand for caregiving.

In the intergenerational case there is less competition on both the demand and the supply side than there is in the case of markets for the WiHo of spouses who chose their partners. In the case of marriage, on the demand side many men may compete for the WiHo of a given woman they want as a spouse; many women may compete for the WiHo of a given man they want to marry. In contrast, when grown kids have a demand for caregiving by grandparents their only possible competitors would be other siblings who also want the parents to babysit for them. Different parents may compete for their children's caregiving when they become dependent, but that is not very likely. Of course, in all in-family cases providers from outside the family can substitute for in-family providers.

On the supply side there is also plenty of possible competition in the case of spouses. However, in the case of babysitting grandparents, grandparents willing to babysit may not have many competitors (the other grandparents? perhaps more sets of grandparents if families were blended?). In the case of caregiving to elderly parents there are not many possible suppliers of caregiving among children either, unless parents had a large number of offspring. With less room for competition I

expect that the price system will not operate as well in markets for intergenerational WiHo as it does in markets for WiHo provided by spouses.

Despite these limitations the concepts of WiHo, price of WiHo and markets for WiHo can be applied to a wide range of family behaviors. For example, Horioka finds cross-country variation in bequests are related to the social norm of primogeniture, meaning that eldest sons inherit the entire estate of their parents but are expected, in exchange, to live with their parents and care for them during their old age: in Japan and China, where primogeniture is still common and legally enforceable, equal division of planned bequests is less prevalent and dynastic bequest division more prevalent than in the United States and India, where primogeniture is rare. Primogeniture not only assigns bequests to the first-born, it also eliminates competition among siblings for the right to provide caregiving to old parents: primogeniture gives the older son a monopoly to provide this service. This may raise the average price of children's caregiving that parents need to pay to obtain their care, making it harder for parents to leave a bequest to other children.

Horioka (2014) also finds that the proportion of respondents with either no bequest motive at all or only a passive bequest motive is much higher in Japan (50.44 %) and China (40.77 %) than in the United States (26.82 %) and India (4.12 %). This may be related to the norm of primogeniture, which makes caregiving in old age expensive to parents, and may force them to give some of their assets to their oldest son before they die (facilitated by their joint residence) as the promised bequest may not offer a price high enough to induce the son's WiHo. The Japanese may not be less altruistic, they may just need to pay more for the WiHo they get from their children, leaving fewer resources to give away as bequests.

The primogeniture rule may also have advantages: it leads to reduced uncertainty about who will care for the parents and how much they will get paid. It could be that in part thanks to this rule the Japanese elderly get better care in their old age than the elderly in the other countries studied by Horioka, and that this is one explanation for Japan's average longevity exceeding that of any other country in the world.

Comparing these various models of in-family services and transfers gives a new perspective to my economic models of marriage. All family behaviors of interest here—monetary transfers to family members or hours spent caring for family—can be motivated by altruism or self-interested exchange. This holds for in-family caregiving across generations and within couples. The empirical question–what percentage of family behaviors are motivated by these two forces—is addressed by both Horioka and Park in the context of inter-generational transfers. Along the same lines, more needs to be done to separate self-interested from altruistic motives when it comes to caregiving by spouses and the monetary or quasi-monetary transfers (transfers of goods with monetary value) that often accompany them.

One of the most important implications from Becker's (1973) second Demand and Supply model of marriage is that where and when men are relatively more abundant relative to the number of women, i.e. the sex ratio is higher, men's price in marriage will be lower and women's price higher. Translated in terms of my WiHo model, the prediction is that men's WiHo will be cheaper and women's WiHo more expensive if sex ratios are high. In turn this may get fewer women in the labor force (Grossbard-Shechtman 1984). Catalina Amuedo-Dorantes and I found evidence for

this prediction using cross-cohort and regional variation in labor supply of women (Grossbard and Amuedo-Dorantes 2007). We also found that it applies less to the Midwest than to other regions of the US Emery and Ferrer (2009) estimated a similar model for Canada and found that sex ratio effects on Canadian women's labor supply were similar to those observed for Midwesterners in the US. As Becker (1974) stated in his second article on the theory of marriage, if there is love sex ratio effects on the distribution of goods inside the marriage are less likely to be observed. Consequently, if there is love or altruism sex ratios are less likely to affect labor supply. It could be that in Canada and the Midwest couples are more altruistic towards each other than in other regions.

In the future, economists studying behaviors of married couples may want to rely more often on the concept of altruism. Likewise, economists studying monetary transfers across generations may want to make more use of the concept of WiHo and its price. Factors that could influence such prices via market forces may explain more variation in caregiving and transfers across generations than has been thought until now.

This note points out to the potential gains from cross-fertilization across various kinds of research on in-family transfers and caregiving. The economics of households and families still has much room to grow, in part from such cross-fertilization.

References

Adams, S. J., Heywood, J. S., & Miller, L. A. (2014). Caregivers, firm policies and gender discrimination claims. *Review of Economics of the Household*, *12*(2), 359–377.

Becker, G. S. (1973). A theory of marriage: Part I. *Journal of Political Economy, 81*, 813–846.

Becker, G. S. (1974). A theory of marriage: Part II. *Journal of Political Economy, 82*, 511–526.

Becker, G. S. (1981). *A treatise on the family* (1st ed.). Cambridge, MA: Harvard University Press.

Emery, J. C. H., & Ferrer, A. (2009). Marriage market imbalances and the labor force participation of Canadian women. *Review of Economics of the Household, 7*(1), 43–58.

Folbre, N. ed. (2012). *For love and money. Care provision in the United States.* New York: Russell Sage Foundation.

Grossbard, S. A., & Amuedo-Dorantes, C. (2007). Marriage markets and women's labor force participation. *Review of Economics of the Household, 5*(3), 249–278.

Grossbard-Shechtman, A. (1984). A theory of allocation of time in markets for labor and marriage. *Economic Journal, 94*(4), 863–882.

Horioka, C. Y. (2014). Are Americans and Indians more altruistic than the Japanese and Chinese? Evidence from a new international survey of bequest plans. *Review of Economics of the Household*. doi:10.1007/s11150-014-9252-y.

Ku, L. E., Stearns, S. C., Van Houtven, C. H., & Holmes, G. M. (2012). The health effects of caregiving by grandparents in Taiwan: An instrumental variable estimation. *Review of Economics of the Household, 10*(4), 521–540.

Lopez Anuarbe, M. (2013). Intergenerational transfers in long term care. *Review of Economics of the Household, 11*(2), 235–258.

Molina, J. A. (2014) Altruism and monetary transfers in the household: Inter- and intra-generation issues. *Review of Economics of the Household*. doi:10.1007/s11150-014-9259-4.

Park, C. (2014). Why do children transfer to their parents? Evidence from South Korea. *Review of Economics of the Household*. doi:10.1007/s11150-012-9173-6.