

Extended Abstract

### **Intra-household Transfers while Children are still at Home**

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Parents make decisions throughout their life on how to allocate their limited time and material resources among their children. These transfers occur at three stages: transfers while the children are still at home, inter-vivo transfers after the children leave home, and bequests when the parents die. Most past research has focused on inter-vivo transfers and bequests and found that bequests tend to be allocated equally among children while inter-vivo transfers are unequally allocated during narrow windows. The primary goal of this type of research is to understand the underlying model that motivates parental transfers. Possible models include altruism (maximizing aggregate utility of the children), exchange (using transfers to procure services from the children), or evolutionary (maximizing the survival of one's genes).

In past research on bequests, Wilhelm (1996) uses a sample of wealthy families and finds that for families with two or more children, 68.6 percent provided equal bequests across all their children and 76.6 percent had the bequests fall within 2 percent of each other. Light and McGarry (2004) use information on intended bequests from individuals in the NLS Mature Women sample and finds that 92.1 percent of the sample reported that they intended to divide their estate equally among their children.

In terms of inter-vivo transfers, McGarry and Schoeni (1995) use data from the HRS and find unequal treatment in inter-vivo transfers to children living outside the home. This unequal treatment at a point in time may arise for two reasons. First, financial transfers to children outside the home are generally tied-transfers associated with the

costs of education or purchasing a home (Brown, Mazzocco, Scholz, and Seshadri 2005), so that the timing of these transfers won't often occur at the same time for each child especially if they are spaced further apart. Second, financial transfers to children outside the household are not as observable as bequests or transfers within the home, allowing parents to avoid the stigma that accompanies appearing to favor one child (Ohlsson and Lundholm 2000).

Studies on inter-vivo transfers generally exclude children still living at home because of the difficulty in assigning monetary values to food, lodging, or other items purchased for each child. Data on expenditures in the U.S. are collected at the household level and surveys that include information on household possessions (i.e. number of books, computer, etc.) do not generally ask who the items belong to. The same problem is faced by researchers examining the impact of bargaining power on the allocation of resources spouses. These studies have one advantage in that they can characterize some types of spending as having a large gender-specific aspect (e.g. Lundberg, Pollak, and Wales 1997). However, this approach does not help in distinguishing which child receives the resources.

One type of material input that cannot be shared by siblings and is observable in many datasets is whether the child is enrolled in a private school. The first panel in Table 1 uses information from the 2000 Census for families in which the first and second-born children are both between the ages of 6 and 17. For this group, the probability that both of the first two children are enrolled in private school (given that at least one is enrolled) is about 64 percent. The unequal allocation of private school enrollment is most likely to

occur when children are spaced further apart in age or when one is enrolled in high school while the other is at a lower grade level.<sup>1</sup>

Measuring parental time transfers to each child is much easier since the ATUS reports the amount of time that an individual spends with each member of the family and the NLSY reports how often the mother reads to each of the children. The second panel in Table 1 provides information from the ATUS on differences between siblings in the amount quality parent time they receive. The ATUS only samples one parent from each household, so the results are shown separately for fathers and mothers. The average absolute difference in reported time spent with the first and second-born child by fathers is about 5 minutes (or about 6 percent of the average quality time of 79 minutes) and 80–90 percent of the families had a difference in time received between the two children of less than 10 minutes. For mothers the absolute gaps are slightly larger (10–13 minutes) or 9 percent of the average quality time of 110 minutes, with about 70 percent of mothers having a difference between siblings of 10 minutes or fewer.

The third panel presents results based on a mother-reported question that was asked in each wave after 1986 in the NLSY about how often the mother reads to each child who is between the ages of 0–9. The measure is based on a six-point scale that range from never (0) to daily (6). Again the comparisons are between the first and second-born children in families with 2, 3, or 4 children. The average response of 4.32 corresponds to a frequency of about 3 times each week. The absolute difference in the

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<sup>1</sup> The regression coefficients using the subset of families with at least one child enrolled in private school:  $P(\text{only one child enrolled}) = .768 + .030*\text{spacing} + .214*(\text{only one enrolled in high school}) - .057*\ln(\text{income}) - .0076*(\text{both children same gender}) + .023 * (\text{number of children})$ . All of the coefficients, except same gender, are significant at the 1% level.

unit score between siblings is about .4, with about 70 percent of siblings having the exact same reported frequency and about 90 percent within 1 unit of each other.

One reason that parents may adopt an equity heuristic is to reduce the unhappiness and inter-sibling quarrels that often accompany inequities. There is growing evidence that happiness might be influenced not only by what individuals have but also how much they have in relation to those around them (Frank 2005; Luttmer 2005). Given the close proximity of siblings and the ease with which they can observe the inputs received by each other, it is likely that positional externalities (the effect of our relative standing among those around us on our utility) play an even greater role among siblings.

The next steps of this paper are to explore the ways in which child and family characteristics influence the allocation of resources among children. This will allow us to test the degree to which other models of parental transfers such as altruism, exchange, or evolutionary motives influence transfer decisions.

## References

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Table 1. Evidence of the Equal Treatment of Children

A. Private School Enrollment (2000 Census PUMS, Ages 6–17)

	Family Size		
	2	3	4
P(first two children are both enrolled   at least one is enrolled)	63.7%	63.4%	64.8%
N	10,329	4,151	1,051

B. Parent-Child Quality Time (ATUS, Ages 4–13)

		Family Size		
		2	3	4
Father Time [mean=79 min]	abs(diff)	5.71	4.70	4.24
	% ≤10min	84%	87%	93%
Mother Time [mean = 110 min]	abs(diff)	10.41	13.04	10.25
	% ≤10min	75%	72%	73%
N		3,623	1,200	328

C. Frequency of Reading to Each child (NLSY, Mother Report, Ages 1–9)

		Family Size		
		2	3	4
Average Absolute Difference [mean= 4.32]		0.381	0.412	0.398
% Same		73.1%	71.6%	73.8%
% within 1 unit		92.9%	91.0%	90.6%
N		2,110	1,414	480

*Notes:* Frequency of reading is based on a 6-point scale ranging from never (1) to daily (6).