

# **Why are American Parents More Altruistic Than Japanese Parents?**

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## **Abstract**

This paper aims at examining what are causing differences in altruism between Japanese and Americans. For this purpose, it first investigates which and how socio-economic variables are affecting bequest motives in these two countries. Then it investigates how much differences in endowments of these variables and differences in coefficients contribute to the international differences in altruism, using the Blinder-Oaxaca decomposition. The evidence shows that the Americans are more altruistic than Japanese, and there is significant difference between these two countries even with all the other socio-economic variables controlled. Gender, household income, age and faith in religion have significant impact on respondents' bequest motive. The Blinder-Oaxaca decomposition shows that more than 95% of the difference is explained by the differences in coefficients instead of endowment effect.

Keywords: Altruism, Self-interest, Bequest Motive

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## **1. Introduction**

Under different household behavior models, individuals will have divergent motive for leaving inheritance. Horioka et al. (2000) and Horioka (2002, 2014) summarize three household behavior models, which are the life cycle model, the altruism model and the dynasty model. In the life cycle model, also called self-interest model, individuals usually have no plan to leave an inheritance or use bequest to exchange financial assistance or nursing care provided by their children during the old age. In the altruism model and dynasty building model, individuals will have a positive bequest leaving motive towards their children. Additionally, in the dynasty model, individuals will be inspired by keeping the family name alive, which means they will leave an inheritance to the children who will carry on family lineage or family business. Horioka et al. (2000) and Horioka (2009) argue that Japanese leave insubstantial and required bequest plan. Horioka's (2014) concludes that Americans and Indians more altruistic than Japanese and Chinese.

## **2. The Survey and Household Behavior**

Preference Parameters Study (PPS) of Osaka University is used in this study. To discuss the framework for the regression and get a well understanding of Horioka's result, this study employs the 2012 datasets and criteria determined by Horioka (2014). Since this study will focus on bequest motive towards children, the sample requires the respondents have at least one child in the family. Those who don't have children will be eliminated. Furthermore, this study assumes that the respondents actually have written a will. For the reason that the analysis of bequest division plan requires at least two children in the family which might cause endogenous problem, this study only investigates bequest motive.

## **3. Results**

The most cited choices are "I do not plan to make special efforts to leave an inheritance to my child(ren) but will leave whatever is left over." and "I plan to leave an inheritance to my child(ren) no matter what." for Japanese and Americans, respectively. Only 26.5%

Japanese will leave an inheritance to their children anyway, and almost half of Japanese will just leave whatever is left over. On the contrary, 60.96% Americans will leave an inheritance in any case, and 24.65% do not plan to make special efforts to leave an inheritance. In summary, 53.64% Japanese have self-interested bequest motive, while 61.21% Americans have altruistic one, which implies that Americans are more altruistic than Japanese. This result is statistically significant.

To unbox the result in detail, female dummy, log of household income in 2011<sup>2</sup>, faith, the respondent's age group, the youngest child's age group, educational attainment dummies and interactions are controlled. The results show that Japanese are less altruistic than the Americans when all the other variables controlled. Rich Americans are less altruistic, while younger parents are more altruistic. Comparing to the Americans, Japanese females and younger parents are less altruistic. On the other hand, rich and pious Japanese are more altruistic than the Americans.

To investigate the outcome differences between Japan and the US, Blinder-Oaxaca decomposition based on linear probability regression unveils that the 96.5% of difference between the US and Japan was created by the coefficient, which means under the same demographic condition, Americans are more altruistic than the Japanese. It also shows that American females are more altruistic than Japanese females. And for those parents who are under 30 years old and the ones whose the youngest child is around 20's, American parents are more altruistic. Conversely, wealthy and religious Americans seem to be less altruistic than Japanese parents.

#### **4. Conclusion and Discussion**

This study provides the evidence that American parents are significantly more altruistic towards bequest motive than Japanese ones. This significant difference in bequest motive is mainly explained by the coefficients. Japanese females are significantly less altruistic than Japanese males and Americans females, while rich Japanese parents are more altruistic than rich American ones. Younger parents are more altruistic than older ones.

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<sup>2</sup> Annual household income in 2011 was reported in 10 categories. Please refer to Appendix.

With the age of parents controlled, those who have younger children in the family will be more altruistic.

Why does the age matter? Construal Level Theory (Fujita et al., 2006; Trope, Liberman & Wakslak, 2007; Trope & Liberman, 2010) gives us a possible explanation that when leaving inheritance is a distant future event, younger parents are more likely to have an ideal and altruistic plan than elder parents.

It is surprising that Japanese females are more self-interested towards bequest motive than Japanese males. Research finds that females donate more in charitable giving (Leslie et al., 2013; Mesch et al., 2011; Willer et al., 2015). Duflo (2003) finds that old-age pension received by women has significant effect on girls' height in South Africa, but the pension received by men doesn't. All those findings imply that females are more altruistic than males. However, Andreoni and Vesterlund's (2001) results suggest that women's altruism is positively related with the relative price of giving, which means when the altruism is expensive, women turn to be more altruistic, while men will be kinder when the relative price is lower. Hence it is possible that Japanese women perceive inheritance to be inexpensive. Further investigation is beyond the scope of this paper, but the author has started to explore comparisons of altruism between Japanese men and women.

Horioka (2014) suggests that the finding that Japanese are more selfish and the Americans are more altruistic imply that the household saving in Japan will be reduced but not in the United States by the introduction of pay-as-you-go public old-age pension. And the public pension will raise the living standards of Japanese during retirement but the Americans will not, because the Americans will bequeath all the pension benefits to their children. If it was true, rich American parents would be more altruistic to leave bequest for their children to compensate for the taxes, because children from rich family are more likely to earn more and pay more taxes. However, the finding that rich Japanese are more altruistic but rich Americans are not in this study does not fully support Horioka's suggestion. Further research on this topic might give us a more detailed explanation and implication.

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