Volume Title: Explorations in the Economics of Aging

Volume Author/Editor: David A. Wise, editor

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-90337-0
ISBN13: 978-0-226-90337-8

Volume URL: http://www.nber.org/books/wise09-2

Conference Date: May 2009

Publication Date: March 2011

Chapter Title: Comment on "Requiescat in Pace? The Consequences of High-Priced Funerals in South Africa"

Chapter Authors: Esther Duflo

Chapter URL: http://www.nber.org/chapters/c11951

Chapter pages in book: (373 - 376)

izer? Evidence from field experiments in Kenya. *American Economic Review: Papers and Proceedings* 98 (2): 482–88.

Kahn, K., M. L. Garenne, M. A. Collinson, and S. M. Tollman. 2007. Mortality trends in a new South Africa: Hard to make a fresh start 1. *Scandinavian Journal of Public Health* 35 (S69): 26–34.

Kahn, K., S. M. Tollman, M. A. Collinson, S. J. Clark, R. Twine, B. D. Clark, M. Shabangu, F. X. Gómez-Olivé, O. Mokoena, and M. L. Garenne. 2007. Research into health, population and social transitions in rural South Africa: Data and methods of the Agincourt Health and Demographic Surveillance System. *Scandinavian Journal of Public Health Suppl.* 69:8–20.

Naidu, V., and G. Harris. 2005. The impact of HIV/AIDS morbidity and mortality on households—a review of household studies. *South African Journal of Economics* 73:533–44.

Roth, J. 1999. Informal micro-finance schemes: The case of funeral insurance in South Africa. Social Finance Unit Working Paper no. 22, International Labour Office. International Labour Organization, Geneva.

Comment Esther Duflo

During the presentation of this article at the Boulders conference, Anne Case mentioned that the king of Swaziland had sought to ban funeral expenditures. Indeed, in 2002, the king issued a decree banning lavish funerals.[1] And some rural communities imposed a high tax on funeral expenditures: any family that slaughters a cow for a funeral has to give up another cow, to be added to the local chief's herd.

The king of Swaziland is not alone in his concern with runaway funeral expenditure. The South African Council of Churches (SACC) was also concerned about the "high cost and increasing ostentation associated with Christian funerals." The SACC was concerned enough to have called a special conference of all the stakeholders "to help to identify the factors that often prevent South Africans from commemorating their loved ones in appropriate, dignified, meaningful and affordable ways." Discussion revealed that "undertakers and funeral directors, state officials, insurance companies and churches all engage in practices that impose unnecessary burdens on the bereaved and compromise their ability to honor the deceased in a dignified manner."[2] As for policy, the SACC, favoring the same solution as the king

Esther Duflo is the Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics and a director of the Abdul Latif Jameel Poverty Action Lab at the Massachusetts Institute of Technology, and a research associate of the National Bureau of Economic Research.

1. "Funeral Feasts Off the Swazi Menu," BBC News, 2002. Available at: http://news.bbc.co.uk/2/hi/africa/2082281.stm.

2. The South African Council of Churches, Annual Report, 2005, 7 (quotes). Available at: http://sacc.org.za/docs/AnRept05.pdf.

but working within different institutions, issued a call for the regulation of the funeral industry.

Why the concern? Why do both the king and the SACC feel obligated to abrogate the rights of a family to spend as much as seems proper to the family on the funeral of a loved one? Is theirs a legitimate concern? Is it rooted in ulterior motives or in the welfare of the bereaved family? This article sheds some light on this question.

First, the evidence is that families are not properly insured for the cost of the funerals of the prime-age adults (funerals for young children are not too expensive and those of the elderly are covered by burial policies). An expensive funeral—and most of them are very expensive, at about 40 percent of average annual *total* expenditure—leads to significant reduction of expenditures in the future as well as an increased probability of children dropping out of school. The chapter presents some evidence that this loss can be largely attributed to the funeral itself, not to the loss of breadwinners. The most convincing piece of evidence on this point is that the funerals of pre-teenage and teenage children, who are not contributing to the family earnings, have as large an effect on future expenditure as those of adults, an effect much larger than that of young children.

Second, on balance, spending that much money leaves the household unhappy. Households that have had a funeral are more likely to report stress and worries, or problems in the family, problems that are very likely to be related to money. This suggests that large funeral expenditures lead to a real loss in welfare. The large ceremonies may certainly not be worth the painful losses that follow. One can speculate that, weighed down the loss of a loved one, members of the bereaved household could not enjoy the ceremony.

This evidence lends some support to the view, shared by king and the SACC, that families are compelled by social norms or misled by unscrupulous funeral agents to spend more than they would rather. Indeed there are anecdotes in the press: in August 2003, the *Sunday Times* of Johannesburg carried an interview with one Sepata, who reported having spent R16,000 on his mothers' funeral, though he had planned to spend only a quarter of that. He said, "All this spending was imposed on me by family elders, when I would have been happy to spend 500 bucks on a coffin for my mom, and maybe get a nice tombstone that her great grandchildren can visit every day. Instead, it's money wasted."[3]

These "social expenditures" take a huge toll on the household. No individual is in a position to refuse to spend some money on these social expenditures. Nevertheless, it would be socially efficient if society as a whole could switch to a different equilibrium, one where the norm is the subdued funeral

3. "Funerals spell financial suicide: Township families go deep into debt by hosting lavish burials," *Sunday Times* (Johannesburg), August 31, 2003.

and where high funeral expenses are frowned upon as squandering the baby's milk money.

Regulation could help, by providing a focal point. Both the king and the SACC also make appeals to culture, and try to recast the values. The king argued that expensive funerals are not part of Swazi culture, while SACC argued that they are neither "African" nor "Christian" nor "dignified."

But neither argument has had much traction. A report by the BBC on the decree says, some people, "while agreeing with the 'bring your own bottle funeral party' idea in principle, feared that even the poorest families would feel embarrassed about not feeding the mourners."[4] A 2004 study by the Joint Economics, AIDS, and Poverty Program of the University of Kwa-Zulu Natal in Durban found the decree notwithstanding, funeral expenditures in Swaziland were still very high, even higher to what people spent in Agincourt, South Africa (about 7,000 rand or twice what was found in Agincourt).[5]

Funerals are not the only example of large expenditures that are potentially socially determined. In a survey of very poor households in Udaipur districts, Rajasthan, India, I found that households living under a dollar a day spend on average 14 percent of their annual income on various festivals, including weddings (Banerjee and Duflo 2007). Social pressure to spend on such events could partly explain why households do not spend more on food or education for their children. More generally, the need to "keep up with the Joneses" seem to play an important role in terms of determining people's sense of the adequacy of their own consumption (Fafchamps and Shilpi 2008), and therefore presumably their choices of what to spend money on. These social obligations need to be a part of how economists consider household consumption choices, and this chapter is a striking example of why it matters.

The chapter makes a second point of general relevance. There are burial societies in South Africa. In fact, the funeral insurance they provide covers most of the expenses for the elderly. But younger people are generally not covered. Why don't the young buy funeral insurance?

Presumably, despite the prevalence of HIV-AIDS, prime-age adults could get the policy for a bargain (in the same way that the premium for life insurance is low for prime-age adults) and it would help their family cope with their own death. The chapter cites an explanation proposed by Karla Hoff. He attributes the lack of planning to a general difficulty of saving and planning ahead of the future.

I have every reason to like the Kenyan fertilizer example, for I have devoted

4. "Funeral Feasts Off the Swazi Menu," BBC News, 2002.

5. Kristin Palitza, "Health-Southern Africa: AIDS Puts Funeral Traditions Under Pressure," Inter Press Service, 17 February 2006. Available at: http://www.ips.org/africa/2006/02/health-southern-africa-aids-puts-funeral-traditions-under-pressure/.

a good part of my life to it. Nevertheless, I do think that the problem of planning for funeral for a prime-age adult not only potentially different but substantially harder than that of planning to buy fertilizer. In South Africa, burial insurance societies set up shop next to the old-age pension pay point. (In fact they the only business allowed to set up inside the enclosure where the old-age pensions are distributed.) Most of the pensioners go straight from the pay point to the burial society counter to pay their contribution. Young adults, who are not getting a pension, would need to take initiative to contribute. If we assume that the young do worry about the burden that funeral costs could impose on their relatives, then one possible explanation is that planning for one's own death when one is young and hale is simply too painful. More generally, insurance against catastrophic events—be it a death, a big health shock, or a drought—may be psychologically very difficult to plan for. The payout would be made, not just in the distant future, but in a future where one's world is in particularly bad shape. So, it may be to protect one's psychological well-being that one does not spend too much time anticipating these events; one must after all have one's sanity. This may explain why the poor households are unlikely to have formal insurance against catastrophic health events or weather disasters, and that even when that insurance is available and offered to them, the take up rates remain extremely low (Cole et al. 2009).

References

Banerjee, A., and E. Duflo. 2007. The economic lives of the poor. *Journal of Economic Perspectives* 21 (1): 141–67.

Cole, S. X. Gine, J. Tobacman, P. Topalova, R. Townsend, and J. Vickery. 2009. Barriers to household risk management: Evidence from India. Harvard Business School Working Paper no. 09-116, April.

Fafchamps, M., and F. Shilpi. 2008. Subjective welfare, isolation, and relative consumption. *Journal of Development Economics* 86:43–60.