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THE IMPACT OF INTERGENERATIONAL TRANSFERS ON THE DISTRIBUTION OF WEALTH: AN INTERNATIONAL COMPARISON

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ABSTRACT

In this paper, I analyze detailed data on intergenerational transfers in 4 countries (China, India, Japan, and the United States) from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)" which has been conducted by the Institute of Social and Economic Research of Osaka University in these 4 countries since 2003, in order to shed light on the impact of intergenerational transfers on household wealth disparities and on possible reasons for the substantial differences in household wealth disparities among the 4 countries. Almost all of the evidence I present suggests that intergenerational transfers have a disequalizing impact on household wealth disparities and promote the transmission of household wealth disparities from generation to generation in all 4 countries although the magnitude of these effects varies considerably from country to country. Moreover, the evidence I present sheds considerable light on possible reasons for the substantial differences in household wealth disparities among the 4 countries.

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1. Introduction

Household wealth disparities are sizable in all countries, even more so than income disparities, and moreover, they vary greatly from country to country, as shown by Davies, et al. (2011) and Nolan, et al. (2013). For example, the Gini coefficient for household wealth ranged from 0.547 to 0.801 in the 4 countries considered in this paper (0.801 in the United States, 0.669 in India, 0.550 in China, and 0.547 in Japan in 2000), according to Davies, et al. (2011). Similarly, data from the World Inequality Database show that the Gini coefficient for net personal wealth is by far the highest in the United States (0.84 since 2011) and that it is much lower and roughly comparable in the other three countries (0.74-0.75 since 2011).[1] Inequality is, in general, much greater for wealth than it is for income, and the aforementioned Gini coefficients for wealth are much higher than those for income, which have ranged only from 0.32 to 0.44 in the same countries since 2010. For example, the Gini coefficient for income was 0.424 in China, 0.409 in the United States, and 0.354 in India in 2011 and 0.321 in Japan in 2010), according to the World Bank's World Development Indicators.[2] [3]

Moreover, Piketty (2014) and others have sounded alarm bells about the recent trend towards increasing disparities in household wealth, which reverses the equalizing trend during the 1930-95 period that Piketty claims was merely a temporary phenomenon (see also Davies and Shorrocks (2000) and Nolan, et al. (2013)).[4] [5] For example, Wolff (2017, 2021) shows that wealth inequality in the United States increased throughout most of the 1983-2016 period, reaching its highest level ever in 2016, before declining slightly during the 2016-19 period. In fact, Piketty (2014) asserts that increasing disparities in household wealth are an inevitable feature of all capitalist economies unless the government intervenes.

One possible cause of household wealth disparities and trends over time therein is intergenerational transfers, and thus it is important to know how prevalent such transfers are. A large number of studies starting with the seminal study by Kotlikoff and Summers (1981) have tried to estimate the relative importance of intergenerational transfers, but they obtain very divergent results, with Kotlikoff and Summers (1981) estimating that the share of intergenerational transfers is as high as 81% of household wealth and Modigliani (1988) estimating that it is only 17 to 21%. Davies and Shorrocks (2000) survey this literature and conclude that a

reasonable estimate of the share of intergenerational transfers in household wealth is about 35 to 45% (also see Horioka, 2021, for a survey of this literature with emphasis on studies pertaining to Japan).

Given how important intergenerational transfers are, it is quite possible that they are an important cause of household wealth disparities. Niimi and Horioka (2017) conduct a survey of the literature on the impact of intergenerational transfers on household wealth disparities and conclude that both theoretical and simulation studies are inconclusive for the reasons discussed in section 2, whereas empirical studies tend to find that bequests increase absolute wealth inequality but reduce relative wealth inequality because even though less wealthy people receive smaller bequests in terms of absolute amounts, they mean relative more to them.

In one recent study, Karagiannaki (2017) conducts an analysis of the quantitative impact of inheritances on household wealth disparities in the United Kingdom and finds that inheritances have had only a small impact on overall household wealth disparities even though they are highly unequal, largely because their magnitude relative to other sources of wealth is very small.

A closely related but separate issue is the issue of the extent to which wealth disparities are passed on from generation to generation. The studies surveyed by Davies and Shorrocks (2000) show that there is a high intergenerational correlation of terminal wealth between parents and children in both the United Kingdom and the United States. Similarly, Charles and Hurst (2003) finds that there is a high correlation in the wealth of parents and children in the United States, and Arrondel (2013), Boserup, et al. (2016), Kubota (2017), Gregg and Kanabar (2022), Siminski and Yu (2022), and Chu, et al. (2024) obtain similar findings for France, Denmark, Japan, Great Britain, Australia, and Taiwan, respectively. These findings strongly suggest that wealth disparities are passed on from generation to generation throughout the world, which is disturbing because it implies that everyone does not start out on a level playing field.

There are several possible explanations for why wealth disparities are passed on from generation to generation, as the theoretical analyses of Becker and Tomes (1979) and De Nardi (2004) show and as the empirical analyses of Charles and Hurst (2003), Arrondel (2013), and Kubota (2017) show. For example, it could be that

wealthy parents tend to leave larger intergenerational transfers (e.g., bequests and *inter vivos* transfers) to their children, allowing them to start off their lives with more wealth. Another possibility is that wealthy parents can afford to give their children a better education (i.e., to invest more in the human capital of their children), thereby enhancing their children's earnings capacity and enabling them to accumulate more wealth. A third possibility is that ability is heritable and that the children of capable parents also tend to be capable, enabling them to earn more and to accumulate more wealth. A fourth possibility is that preferences (such as those relating to risk aversion, time preference, and altruism) are passed on from generation to generation and that this also contributes to the intergenerational transmission of wealth disparities

Charles and Hurst (2003), Arrondel (2013), and Kubota (2017) conduct a decomposition analysis of the intergenerational wealth elasticity to shed light on the relative importance of the various explanations enumerated above. For example, Kubota (2017) finds that both years of schooling and bequest receipts (the first two explanations above) are of dominant importance in the case of Japan. Moreover, since investing in the human capital of one's children involves intergenerational transfers, Kubota's (2017) findings suggest that intergenerational transfers broadly defined are the dominant explanation for why wealth is so highly correlated across generations in Japan.

The purpose of this paper is to assess the impact of intergenerational transfers on household wealth disparities and the role they play in the intergenerational transmission of wealth disparities using a totally different approach. Household wealth arises primarily from life-cycle saving (i.e., self-accumulation or saving from one's own earnings) or from transfers from others (including bequests and *inter vivos* transfers from one's parents—hereafter referred to collectively as intergenerational transfers). Thus, disparities in intergenerational transfers could well have a significant impact on the magnitude of household wealth disparities and the extent to which they are passed on from generation to generation. The problem is that the direction and magnitude of the impact of intergenerational transfers on household wealth disparities are theoretically ambiguous, as discussed in detail in section 2. Thus, we cannot determine the impact of intergenerational transfers on household wealth disparities without detailed data on intergenerational transfers and on who leaves and receives them.

The purpose of this paper is to analyze detailed data on intergenerational transfers in 4 countries (China, India, Japan, and the United States) from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)," which has been conducted by the Institute of Social and Economic Research of Osaka University in these 4 countries since 2003, in order to shed light on the impact of intergenerational transfers on household wealth disparities and on possible reasons for the substantial differences in household wealth disparities among the 4 countries.

This paper makes an original contribution to the literature in the following ways. First, it sheds light not only on whether intergenerational transfers have an equalizing or disequalizing impact on household wealth disparities but also on the mechanisms through which intergenerational transfers affect household wealth disparities. Moreover, it is one of the first studies to conduct an international comparison of the impact of intergenerational transfers on household wealth disparities, allowing us to see whether differences in behavior relating to intergenerational transfers can explain differences among countries in household wealth disparities (see Nolan, et al., 2013, for a similar cross-country approach).

To summarize the main findings of this paper, almost all of the evidence I present suggests that intergenerational transfers have a disequalizing impact on household wealth disparities and promote the transmission of household wealth disparities from generation to generation in all 4 countries although the magnitude of these effects varies considerably from country to country. Moreover, the evidence I present also sheds considerable light on possible reasons for the substantial differences in household wealth disparities among the 4 countries.

This paper is organized as follows. In section 2, I discuss theoretical considerations; in section 3, I survey the previous literature; in section 4, I describe the data source used in this paper; in section 5, I present a variety of data on intergenerational transfers for the purpose of shedding light on the impact of intergenerational transfers on household wealth disparities; in section 6, I discuss what light my results shed on the possible causes of differences among the 4 countries in household wealth disparities; and section 7 summarizes my findings and explores the policy implications thereof.

2. Theoretical Considerations

In this section, I survey the previous theoretical literature on the impact of intergenerational transfers on household wealth disparities relying heavily on the excellent surveys of this literature by Davies and Shorrocks (2000) and Laferrère and Wolff (2006) (see also Wolff, 2015).

The impact of intergenerational transfers on household wealth disparities depends not only on the magnitude of such transfers but also on how they are distributed within and among families. Looking first at how transfers are distributed within families, the distribution of wealth will be more equal if parents distribute their assets equally among their children than if they leave everything to the eldest son (primogeniture), as Menchik (1980) and Chu (1991) show,[6] and parent-to-child transfers will be even more equalizing if they are compensatory (i.e., if relatively poor children receive more than their relatively affluent siblings).

Moreover, a similar argument applies to the distribution of intergenerational transfers *among* families (households) as well. As Wolff (2002, 2015) points out, if relatively poor households are more likely to receive intergenerational transfers than relatively affluent households and/or receive larger intergenerational transfers than relatively affluent households (either in absolute terms or relative to their wealth holdings), such transfers will be equalizing, and conversely.

Another influence on the impact of intergenerational transfers on household wealth disparities is mating patterns (see, for example, Gokhale, et al., 2001). If mating is assortative and relatively affluent men tend to marry relatively affluent women, household wealth disparities will widen over time relative to the case of random mating, whereas if relatively affluent men tend to marry relatively poor women and conversely, household wealth disparities will narrow over time relative to the case of random mating.

Yet another influence on the impact of intergenerational transfers on household wealth disparities is fertility behavior. If fertility is differential, with affluent households tending to have fewer children than poor households (which is typically the case), it will be disequalizing because it will cause the share of parents' assets received by each child to be larger in the case of affluent parents.

Still another influence on the impact of intergenerational transfers on household wealth disparities is parental preferences. If parents harbor intergenerational altruism towards their children, as proposed by Becker (1991), they will leave intergenerational transfers to their children even if they receive no *quid pro quo* from their children and hence household wealth disparities will be transmitted from generation to generation. On the other hand, if parents are selfish, they will leave intergenerational transfers to their children only if they receive some sort of *quid pro quo* from their children such as care, attention, and financial assistance during old age (see, for example, Bernheim, Shleifer, and Summers, 1985). This means that net transfers from parents to children will not necessarily be large or even positive, as transfers from parents to children will be partially or fully offset by transfers in the other direction, and that household wealth disparities will not necessarily be transmitted from generation to generation (see Davies and Shorrocks, 2000).

I have so far been focusing on intentional bequests, but Gokhale, et al. (2001) and DeNardi (2004) show that unintended or accidental bequests may also have an impact on household wealth disparities. For example, Gokhale, et al. (2001) show that unintended bequests may exacerbate household wealth disparities in the presence of social security.

To summarize, the direction and magnitude of the impact of intergenerational transfers on household wealth disparities are theoretically ambiguous and will depend on a host of factors including bequest division patterns, the impact of children's economic resources on the likelihood of receiving transfers, mating behavior, fertility behavior, parental preferences, and unintended bequests. Fortunately, the data source used in this paper, to be discussed in detail in the next section, collects the information needed to shed light either directly or indirectly on the importance of many of these factors.

3. The Data Source

The data source used in this paper is the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)" (formerly called the "Preference Parameters Study (Kurashi no Konomi to Manzokudo ni tsuite no Chousa)," a panel survey of households that has been conducted concurrently in 4

countries (China, India, Japan, and the United States) since 2003 by the Institute of Social and Economic Research of Osaka University with funding from the 21st Century Center of Excellent Program "Behavioral Macrodynamics based on Surveys and Experiments" (2003-2008), the Global Center of Excellence Program "Human Behavior and Socioeconomic Dynamics" (2008-2013) of Osaka University, and two Grants-in-Aid for Scientific Research (KAKENHI) from the Japan Society for the Promotion of Science: "Behavioral-Economic Analysis of Long-Run Stagnation (15H05728) and "Economic Stagnation and Widening Wealth Inequality: Crises of the World Economy and a Construction of a Unified Macroeconomic Theory" (20H05631).

This survey asks extensive questions regarding the socioeconomic characteristics of the respondent, his/her spouse, his/her parents, his/her parents-in-law, his/her children, and the household as a whole and also collects information on various preference parameters such as those relating to altruism, risk aversion, time preference, and externalities. Moreover, it also collects extensive information on intergenerational transfers including attitudinal questions relating to bequest motives and bequest division, questions about whether or not the respondent received or expects to receive bequests and *inter vivos* transfers from his/her own parents and his/her spouse's parents, etc.

The module on intergenerational transfers contains primarily the following questions:

(1) A question about the respondent's attitude towards leaving a bequest to their children. The responses to this question can be used to categorize respondents into (i) those with a strong bequest motive (those planning to leave an inheritance to their children unconditionally or under certain conditions), (ii) those with a potential bequest motive (those who want to leave a bequest to their children but will not do so because they don't have the financial capacity to do so), and (iii) those without a bequest motive (those who do not plan to make efforts to leave an inheritance to their children but will leave whatever is left over and those not planning to leave an inheritance to their children).
(2) 2 questions about the respondent's intentions about how to divide his/her bequest among his/her children, with one choice being to divide his/her bequest equally among his/her children.

(3) Questions about whether or not the respondent has received a bequest of at least a certain amount from his/her own parents, whether or not the respondent have received a bequest of at least a certain amount from his/her spouse's parents, whether or not the respondent expects to receive a bequest of at least a certain amount from his/her own parents, and whether or not the respondent expects to receive a bequest of at least a certain amount from his/her spouse's parents, and the same 4 questions regarding *inter vivos* transfers as well.[7]

Note, however, that the threshold amount in the questions concerning receipts of bequests and *inter vivos* transfers varies from country to country. In particular, the ratio of the threshold amount to per capita GDP is much higher in China and India, especially India, than in Japan and the United States, and this needs to be taken into account when interpreting the results.[8]

The survey used in this paper is unique in at least 2 respects. First, it was conducted concurrently in 4 disparate countries from throughout the world using virtually the same survey instrument, enabling us to conduct an international comparison. Second, it collects extensive information on intergenerational transfers including questions not only about transfers that respondents received or expect to receive from their parents and parents-in-law but also about transfers that they plan to leave to their children. Moreover, it collects information not only whether or not respondents are planning to leave bequests to their children but their motives for doing so and how they plan to divide their bequests among their children. Thus, it is ideally suited to the objective of this paper.

The surveys for Japan and the United States are nationwide panel surveys while the surveys for China and India are panel surveys for urban areas and rural areas separately (except for the rural survey for China, which is a repeated cross-section survey). All surveys for all countries survey representative samples of those aged 20-69 (except that the U.S. survey surveys those aged 18-99).[9]

Data from the 2012 wave were used for all 4 countries except that the 2010 wave was used in the case of the rural survey for China because this survey was not conducted in 2012. Unfortunately, all of the necessary information was not collected in the 2010 rural survey for China so some of the results for China pertain only to urban areas. The sample size was 1,380 for the urban survey for China, 1,000 for the

rural survey for China, 1,095 for the rural survey for India, 833 for the urban survey for India, 4,588 for the Japanese survey, and 3,653 for the U.S. survey.

In countries in which separate surveys were conducted in rural and urban areas (China and India), weighted averages of the figures for rural and urban areas were calculated using the shares of the rural and urban populations from the World Bank's World Development Indicators as weights.[10]

Turning to sample selection, I dropped observations for which information was not available on gender, marital status, transfer receipts, the respondent's attitude towards bequests, and the earned income of the respondent and his/her spouse. In addition, observations from respondents reporting an age of less than 18 were dropped from the U.S. survey (there were no such respondents in the case of any of the other surveys). Additional observations were dropped in some cases, as noted in the notes to the tables.

Note, finally, that more detailed bequest-related data from this survey can be found in Horioka (2014).

4. The Findings

In this section, I present a variety of data relating to intergenerational transfers in China, India, Japan, and the United States from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)" for the purpose of shedding light on the impact of intergenerational transfers on household wealth disparities in these 4 countries (see Nolan, et al., 2013, for a similar cross-country comparison of a larger sample of 30 countries).

4.1. The Strength of Bequest Motives

The survey I used collects information not only on actual bequest motives (whether or not respondents plan to leave an inheritance to their children) but also on potential bequest motives (whether or not respondents want to leave an inheritance to their children but will not because they don't have the financial capacity to do so). Table 1 shows the proportion of respondents with actual and/or potential bequest

motives in the 4 countries in my sample, and as can be seen from this table, bequest motives are strong in all 4 countries, with the proportion of respondents with an actual (actual or potential) bequest motive ranging from 32.32 to 92.29% (50.21 to 95.54%). This suggests that bequest motives are strong in all 4 countries and that they may have a disequalizing impact on household wealth disparities. However, the strength of bequest motives varies considerably from country to country, with the proportion of respondents with an actual bequest motive being by far the highest in India (92.29%), followed by the United States (59.10%), China (52.66%), and Japan (32.32%), and similarly, the proportion of respondents with an actual or potential bequest motive being by far the highest in India (95.54%), followed by the United States (71.63%), China (61.61%), and Japan (50.21%).

4.2. Bequest Division

Table 2 shows the proportion of respondents with 2 or more children who plan to divide their bequests equally among their children, and as can be seen from this table, this proportion is overwhelmingly high in all 4 countries, ranging from 70.27 to 92.37%.[11] This implies that bequests will have an equalizing impact on household wealth disparities in all 4 countries, at least within families. However, the proportion of respondents with 2 or more children who plan to divide their bequests equally among their children varies considerably from country to country, being by far the highest in the United States (92.37%), also high in India (82.22%), and somewhat lower in Japan (72.68%) and China (70.27%).[12] These findings are broadly consistent with previous studies, which invariably find an overwhelming preponderance of equal division in all countries (see, for example, Menchik, 1980; Wilhelm, 1996; Dunn and Phillips, 1997; McGarry, 1999; Horioka, et al. 2000; Horioka, 2002; Klevmarken, 2004; Light and McGarry, 2004; and Horioka, 2014), and strongly suggest that bequest division patterns serve to reduce household wealth disparities, at least within families.[13]

Moreover, Klevmarken (2004) finds that intergenerational transfers reduce household wealth disparities in Sweden in part because estates are typically divided among several heirs (children), and this provides further corroboration that relatively equal bequest division may indeed have an equalizing impact on household wealth disparities.

4.3. The Correlation between the Earned Income of Bequest Recipients and the Likelihood of Receiving Bequests

Table 3 shows the ratio of the earned income of respondents who have received and/or expect to receive intergenerational transfers of at least a certain amount from their own parents and/or their spouse's parents to that of respondents who have not received and do not expect to receive such transfers. As can be seen from this table, the earned income of respondents who have received and/or expect to receive intergenerational transfers (bequests as well as *inter vivos* transfers) of at least a certain amount is much higher (19.2 to 51.5% higher) than that of respondents who have not received and do not expect to receive such transfers in all 4 countries. This implies that relatively affluent households are more likely to receive intergenerational transfers and therefore that such transfers are disequalizing in all 4 countries. However, the income gap between households receiving intergenerational transfers and those not receiving such transfers varies greatly from country to country, being by far the highest in India (1.515), followed by the United States (1.354), China (1.222), and Japan (1.192).[14]

A related and equally important issue is the correlation between the earned income (or life cycle wealth) of bequest recipients and the *amount* of intergenerational transfers received. This issue could not be addressed in this paper because the data source used does not contain any information on the amount of bequests received, but Horioka (2009) and Hamaaki, et al. (2014) address this issue for the case of Japan using different data sources that do collect information on the amounts of intergenerational transfers received. Horioka (2009) calculates the correlation between bequests received and life cycle wealth (wealth accumulated by the individual himself or herself) for the case of Japan and finds this correlation to be negative though relatively small (-0.170), which implies that less affluent households receive larger bequests and thus that bequests are equalizing. By contrast, Hamaaki, et al. (2014) analyze the determinants of intergenerational transfers received and find that those with higher labor earnings and higher life-cycle wealth receive larger intergenerational transfers, which implies that more affluent households receive larger intergenerational transfers and thus that bequests are disequalizing. However, they note that the observed correlation between intergenerational transfers received and life-cycle wealth is relatively limited, possibly because households that expect larger transfers offset those transfers by consuming more of

their own assets. It is therefore not clear from this line of research whether intergenerational transfers are equalizing or disequalizing.

Wolff (2002, 2015) addresses the same issue for the case of the United States and finds that intergenerational transfers are greater in dollar amount for richer households than for poorer ones but that they constitute a smaller share of wealth holdings for richer households than for poorer ones. He also points out, however, that poorer households are more likely to spend the intergenerational transfers that they receive, which would attenuate the equalizing impact, if any, of intergenerational transfers (and Elinder, et al., 2018, make the same point).

Moreover, Karagiannaki (2017) and Elinder, et al. (2018) obtain similar findings to those of Wolff using data for Sweden and the United Kingdom, respectively. They find that inheritances reduce wealth inequality, as measured by the Gini coefficient or top wealth shares but that they increase absolute dispersion and that this duality arises because, even though richer heirs inherit larger amounts, the relative importance of the inheritance is larger for less wealthy heirs, who inherit more relative to their pre-inheritance wealth.

Taken collectively, these findings suggest that relatively wealthy households are more likely to receive intergenerational transfers and/or to receive larger intergenerational transfers, implying that intergenerational transfers are likely to be disequalizing, at least in absolute terms.

4.4. Gender Differences

Table 4 shows the proportion of respondents who have received and/or expect to receive intergenerational transfers of at least a certain amount from their own parents broken down by the gender of the respondent, and as can be seen from this table, this proportion is higher for male respondents than it is for female respondents in all 4 countries, with the male proportion being 21 to 41% higher than the female proportion. It thus appears that parents discriminate against daughters with respect to intergenerational transfers in all 4 countries, which implies that such transfers may have a disequalizing impact on household wealth disparities, with unmarried women being the most adversely affected. However, the gender gap in the likelihood of receiving intergenerational transfers of at least a certain amount from one's

parents varies greatly from country to country, with the ratio of the male proportion to the female proportion being highest in India and Japan (1.41 and 1.39, respectively), followed by China and the United States (1.22 and 1.21, respectively).[15]

4.5. The Correlation between Bequest Receipts and Bequest Motives

Table 5 shows the proportion of respondents planning to leave bequests broken down by whether or not respondents have received and/or expect to receive intergenerational transfers of at least a certain amount from their own parents and/or their spouse's parents, and as can be seen from this table, respondents who have received and/or expect to receive intergenerational transfers of at least a certain amount are more likely to leave bequests in all countries except for India, with respondents receiving intergenerational transfers being 3 to 55 percentage points more likely to leave a bequest than respondents not receiving intergenerational transfers in all countries except for India. However, the ratio of the proportion of respondents receiving intergenerational transfers who plan to leave a bequest to the proportion of respondents not receiving intergenerational transfers who plan to leave a bequest varies considerably from country to country, with the gap being largest in Japan (1.55), also high in the United States (1.16), and very low in China (1.03). By contrast, in India, respondents receiving intergenerational transfers are 10 percentage points less likely to leave bequests than respondents not receiving intergenerational transfers. Thus, the danger of household wealth disparities being transmitted from generation to generation exists in all countries except India, with this danger being highest in Japan, somewhat lower in the United States, and only negligible in China.

Niimi and Horioka (2018) analyze the same Osaka University data that are analyzed in the present study and find that, in both Japan and the United States, respondents who received intergenerational transfers from their parents are more likely to leave such transfers to their children and more likely to invest in their children's human capital (i.e., to finance their children's college education expenses), even after controlling for other factors. These findings are consistent with the findings of the present study. However, Niimi and Horioka (2018) find that the tendency of respondents who received intergenerational transfers to leave such transfers to their children is stronger in the case of poorer respondents than it is in the case of

wealthier respondents, which may alleviate the disequalizing effect of intergenerational transfers on household wealth disparities, at least to some extent.

Similarly, Cox and Stark (2005) find that individuals who receive an inheritance from their parents are more likely to leave a bequest to their children even after controlling for the boost in wealth conferred by the inheritance and other factors.

4.6. Inter-spousal Correlations in the Likelihood of Receiving Bequests

Table 6 shows the proportion of married respondents who have received and/or expect to receive intergenerational transfers of at least a certain amount from the respondent's spouse's parents broken down by whether or not they have received and/or expect to receive such transfers from the respondent's own parents. As can be seen from this table, married respondents are much more likely (1.80 to 32.43 times more likely) to have received and/or expect to receive intergenerational transfers of at least a certain amount from their spouse's parents if they have received and/or expect to receive such transfers from their own parents. The fact that this gap is so large in all 4 countries suggests that the correlation between intergenerational transfers from the husband's parents and those from the wife's parents is high, which in turn is presumably due at least in part to the fact that mating is assortative in all 4 countries. It thus appears that mating patterns have a disequalizing impact on household wealth disparities. However, there are considerable variations from country to country, with married Indians receiving intergenerational transfers from their own parents being 32.43 times more likely to receive intergenerational transfers from their spouse's parents, and the corresponding ratio being 5.06, 4.83, and 1.80 in China, Japan, and the United States, respectively. This suggests that mating patterns vary considerably among the 4 countries but that the observed patterns are more or less what one would expect. For example, the fact that the gap is especially large in India is not surprising given the existence of the caste system and the custom of marrying within one's own caste.[16]

4.7. Parental Preferences

Turning finally to parental preferences, Horioka (2014) uses data from the same survey as the one used in this paper to show that bequests are primarily altruistically motivated in India and the United States and primarily selfishly

motivated (but with a sizable proportion of altruistically motivated households) in China and Japan, with Indians and Americans planning to leave bequests to their children even if they do not receive any *quid pro quo* from their children and planning to divide their bequests equally among their children and the Chinese and Japanese not planning to leave bequests to their children at all, planning to leave bequests to their children only if they receive a *quid pro quo* (such as care and/or financial assistance during old age) from their children, and planning to leave a larger share of their bequest to the child or children who provide a *quid pro quo* (see also Horioka, et al., 2000; Horioka, 2002; the papers cited in Arrondel and Masson, 2006; and Horioka, 2009). This implies that bequests will be disequalizing in India and the United States because transfers from parents to children will be largely unrequited in these countries and that the impact of bequests will be neutral in China and Japan because transfers from parents to children will be largely offset by transfers in the opposite direction in these countries.

4.8. Summary

In this section, I presented a variety of evidence on the impact of intergenerational transfers on household wealth disparities and found that virtually all of the evidence suggests that intergenerational transfers have a disequalizing impact on household wealth disparities in all 4 countries. For example, my findings that bequest motives are strong in all 4 countries, that more affluent households are more likely to receive intergenerational transfers in all 4 countries, that males are more likely to receive intergenerational transfers than females in all 4 countries, that households receiving intergenerational transfers are more likely to leave bequests in all countries except India, that inter-spousal correlations in the likelihood of receiving intergenerational transfers are high in all 4 countries, and that parents are largely altruistically motivated, meaning that bequests are largely unrequited, in all 4 countries all point towards this conclusion. About the only piece of evidence that suggests that intergenerational transfers have an equalizing impact on household wealth disparities is my finding that there is a strong tendency for bequests to be evenly divided among one's children in all 4 countries, but this single factor alone is unlikely to be enough to offset the impact of all of the other factors combined.[17] My overall finding that intergenerational transfers have a significant disequalizing impact on household wealth disparities is broadly consistent with the findings of previous studies such as Charles and Hurst (2003), Arrondel (2013), and Kubota (2017).

5. The Causes of Inter-Country Differences in Wealth Disparities

As was shown in section 1, household wealth disparities are highest in the United States, second highest in India, and lowest in China and Japan. The findings in the previous section shed considerable light on the possible causes of these differences in household wealth disparities, and this is the issue that is addressed in this section.

5.1. United States

The fact that the United States has the largest household wealth disparities among the 4 countries may be due partly to the fact that bequest motives are relatively strong in the United States, the fact that the extent to which more affluent households are more likely to receive bequests is relatively high in the United States, the fact that those receiving bequests are more likely to leave bequests in the United States, the fact that inter-spousal correlations in the likelihood of receiving bequests are relatively high in the United States, and the fact that bequests are largely altruistically motivated in the United States, meaning that they are largely unrequited. There are factors that would be expected to cause household wealth disparities in the United States to be smaller than elsewhere such as the fact that the tendency to divide bequests equally among one's children is strongest in the United States and the fact that gender differences in the likelihood of receiving intergenerational transfers are the smallest in the United States, but the impact of these factors is apparently overshadowed by the impact of the aforementioned factors.

5.2. India

The fact that household wealth disparities are relatively large in India may be partly due to the fact that bequest motives are by far the strongest in India, the fact that the extent to which more affluent households are more likely to receive bequests is highest in India (but see footnote 7), the fact that gender differences in the likelihood of receiving bequests are the largest in India, the fact that inter-spousal correlations in the likelihood of receiving bequests are by far the highest in India, and the fact that bequests are largely altruistically motivated in India, meaning that they are largely unrequited. There are factors that would be expected to cause household wealth disparities in India to be smaller than elsewhere such as the fact that the

tendency to divide bequests equally among one's children is relatively strong in India and the fact that those receiving bequests are less likely to leave bequests in India, but the impact of these factors is apparently overshadowed by the impact of the aforementioned factors.

5.3. China

The fact that household wealth disparities are relatively small in China may be due partly to the fact that bequest motives are relatively weak in China, the fact that the extent to which more affluent households are more likely to receive bequests is relatively low in China, the fact that gender differences in the likelihood of receiving intergenerational transfers are relatively small in China, the fact that those receiving bequests are not any more likely to leave bequests in China, and the fact that bequests are largely selfishly or strategically motivated in China, meaning that they are largely offset by transfers in the other direction. There are factors that would be expected to cause household wealth disparities in China to be larger than elsewhere such as the fact that the tendency to divide bequests equally among one's children is weakest in China and the fact that the inter-spousal correlations in the likelihood of receiving intergenerational transfers is relatively high in China (but see footnote 9), but the impact of these factors is apparently overshadowed by the impact of the aforementioned factors.

5.4. Japan

The fact that Japan has the smallest household wealth disparities among the 4 countries may be due partly to the fact that bequest motives are by far the weakest in Japan, the fact that the extent to which more affluent households are more likely to receive bequests is lowest in Japan, the fact that inter-spousal correlations in the likelihood of receiving transfers are lowest in Japan, and the fact that bequests are largely selfishly or strategically motivated in Japan, meaning that they are largely offset by transfers in the other direction. There are factors that would be expected to cause household wealth disparities in Japan to be larger than elsewhere such as the fact that the tendency to divide bequests equally among one's children is relatively weak in Japan, the fact that gender differences in the likelihood of receiving intergenerational transfers are relatively large in Japan, and the fact that those receiving bequests are much more likely to leave bequests in Japan, but the impact

of these factors is apparently overshadowed by the impact of the aforementioned factors.

6. Conclusion

In this paper, I analyzed detailed data on intergenerational transfers in 4 countries (China, India, Japan, and the United States) from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)," which has been conducted by the Institute of Social and Economic Research of Osaka University in these 4 countries since 2003, in order to shed light on the impact of intergenerational transfers on household wealth disparities and on possible reasons for the substantial differences in household wealth disparities among the 4 countries. Almost all of the evidence presented in this paper suggests that intergenerational transfers have a disequalizing impact on household wealth disparities and promote the transmission of household wealth disparities from generation to generation in all 4 countries although the magnitude of these effects varies considerably from country to country. Moreover, the evidence I present sheds considerable light on possible reasons for the substantial differences in household wealth disparities among the 4 countries.

Turning finally to possible directions for further research, one possible direction is to do a similar analysis for a larger sample of countries, and another possible direction is to estimate the precise contribution of intergenerational transfers to household wealth disparities. Karagiannaki (2017) conducts just such an analysis for the United Kingdom and finds that inheritances have had only a small impact of overall household wealth disparities even though they are highly unequal, largely because their magnitude relative to other sources of wealth is very small. Unfortunately, such an analysis cannot be done using the data source we used in this paper because information is not available on the amounts of intergenerational transfers.

Acknowledgements

The data source used in this paper is the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)" (formerly called the

"Preference Parameters Study (Kurashi no Konomi to Manzokudo ni tsuite no Chousa)," which has been conducted since 2003 by the Institute of Social and Economic Research of Osaka University with funding from the 21st Century Center of Excellent Program "Behavioral Macrodynamics based on Surveys and Experiments" (2003-2008), the Global Center of Excellence Program "Human Behavior and Socioeconomic Dynamics" (2008-2013) of Osaka University, and two Grants-in-Aid for Scientific Research (KAKENHI) from the Japan Society for the Promotion of Science: "Behavioral-Economic Analysis of Long-Run Stagnation (15H05728) and "Economic Stagnation and Widening Wealth Inequality: Crises of the World Economy and a Construction of a Unified Macroeconomic Theory" (20H05631). I acknowledge the survey's co-investigators Yoshiro Tsutsui, Fumio Ohtake, and Shinsuke Ikeda. I am also grateful to Yoko Niimi, Edward N. Wolff, and participants of the Society for the Advancement of Socio-Economics (SASE) Conference and the International Association for Research in Economic Psychology (IAREP) - Social for the Advancement of Behavioral Economics (SABE) Conference for their invaluable comments, to Tien Manh Vu for his valuable assistance, and to JSPS (Japan Society for the Promotion of Science) KAKENHI Grant Numbers 15H01950, 18H00870, 20H01513, 20H05633, and 23H00831, the Asian Growth Research Institute, and the Joint Usage/Research Center on Behavioral Economics of the Institute of Social and Economic Research, Osaka University, for their financial support.

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Table 1: An International Comparison of the Strength of Bequest Motives (%)

Country	Actual bequest motive	Potential bequest motive	Actual or potential bequest motive	Number of observations
China	52.66	8.95	61.61	2227
India	92.29	3.24	95.54	1689
Japan	32.32	17.89	50.21	3131
United States	59.10	12.53	71.63	2203

Note: The figures show the proportion of respondents with an actual and/or potential bequest motive (in percent). Respondents planning to leave an inheritance to their children no matter what and those planning to leave an inheritance to their children under certain conditions were regarded as having an actual bequest motive, while respondents who want to leave an inheritance to their children but will not do so because they don't have the financial capacity to do so were regarded as having a potential bequest motive.

Source: The author's own calculations based on data from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)."

Table 2: An International Comparison of the Prevalence of Equal Bequest Division (%)

Country	Equal division	Number of observations
China	70.27	728
India	82.22	1569
Japan	72.68	2200
United States	92.37	1573

Note: The figures show the proportion of respondents with two or more children who plan to divide their bequest equally among their children (in percent). The denominator excludes respondents with no children, those with only one child, those not planning to leave a bequest, and those not answering the questions about bequest division.

Source: The author's own calculations based on data from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)."

Table 3: An International Comparison of the Ratio of the Earned Income of Bequest Recipients to That of Non-Recipients (ratios)

Country	Bequests	Inter vivos transfers	Both	Number of observations
China (Urban)	1.230	1.217	1.222	1343
India	1.524	1.471	1.515	1689
Japan	1.173	1.180	1.192	3131
U.S.A.	1.366	1.311	1.354	2203

Note: The figures show the ratio of the average earned income of respondents receiving and/or expecting to receive each type of intergenerational transfer to the average earned income of respondents not receiving and not expecting to receive that type of transfer.

Source: The author's own calculations based on data from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)."

Table 4: An International Comparison of Gender Differences in Transfer Receipts (%)

Country	Male respondents	Female respondents	Ratio	Number of observations
China (Urban)	44.84	36.80	1.22	1343
India	14.40	10.24	1.41	1689
Japan	51.94	37.46	1.39	3131
United States	28.85	23.76	1.21	2203

Note: The figures show the proportion of respondents of each gender receiving and/or expecting to receive intergenerational transfers from their own parents (in percent).

Source: The author's own calculations based on data from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)."

Table 5: An International Comparison of the Impact of Transfer Receipts on Bequest Motives (%)

Country	Respondents receiving and/or expecting to receive transfers	Respondents not receiving and not expecting to receive transfers	Ratio	Number of observations
China (Urban)	58.74	57.20	1.03	1343
India	84.78	93.94	0.90	1689
Japan	38.78	25.10	1.55	3131
U.S.A.	65.33	56.37	1.16	2203

Note: The figures show the proportion of respondents planning to leave a bequest broken down by whether or not they have received and/or expect to receive intergenerational transfers (in percent).

Source: The author's own calculations based on data from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)."

Table 6: An International Comparison of Inter-spousal Correlations in Transfer Receipts (%)

	Respondents receiving and/or expecting to receive transfers from their own parents	Respondents not receiving and not expecting to receive transfers from their own parents	Ratio	Number of observations
China (Urban)	65.72	12.99	5.06	1085
India	47.55	1.47	32.43	1345
Japan	34.14	18.99	1.80	2462
United States	40.71	8.43	4.83	1438

Note: The figures show the proportion of respondents receiving and/or expecting to receive inter-generational transfers from their spouse's parents broken down by whether or not they have received and/or expect to receive such transfers from their own parents (in percent). The denominator excludes respondents who are divorced, widowed, never married, or cohabiting.

Source: The author's own calculations based on data from the "Japan Household Panel Survey on Consumer Preferences and Satisfaction (JHPS-CPS)."

Endnotes

[1] These data are taken from https://wid.world/data/ on Sept. 9, 2024.

[2] These data are taken from http://data.worldbank.org/data-catalog/world-development-indicators on Sept. 9, 2024.

[3] Note that the ranking of the four countries is similar whether or not they are ranked according to Gini coefficients for wealth or Gini coefficients for income except that China ranked higher than the United States until 2011 if they are ranked according to Gini coefficients for income.

[4] Piketty (2014) attributes the temporary equalizing trend during the 1930-95 period to some rather unique circumstances—namely, two World Wars, the Great Depression, and a debt-fueled recession that destroyed much wealth, particularly wealth owned by the relatively affluent.

[5] One exception is China, where household wealth disparities have been declining in recent years as more and more households reap the benefits of economic reforms (Ward, 2014).

[6] Note, however, that Chu (1991) also shows that although primogeniture will widen wealth disparities *within* families (among siblings), it may narrow wealth disparities *among* families if it enhances the chances of the eldest son being able to start a new business and become financially successful.

[7] Unfortunately, the survey does not include any questions about *inter vivos* transfers that respondents have already made to their children.

[8] The threshold amount is 100,000 yuan (2.60 times per capita GDP) in China, 500,000 rupees (6.19 times per capita GDP) in India, 5 million yen (1.34 times per capita GDP) in Japan, and 50,000 dollars (0.97 times per capita GDP) in the United States. Data on per capita GDP in local currency units were taken from the World Bank's World Development Indicators at http://data.worldbank.org/indicator/NY.GDP.MKTP.CN on May 22, 2014.

[9] More details about the survey can be found at: http://www.iser.osaka-u.ac.jp/coe/journal/eng_panelsummary.html

[10] These data were taken from http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS on May 18, 2015.

[11] Note, however, that there are far fewer households with 2 or more children in China due to the one-child policy and other population control measures and therefore that the proportion of households planning to divide their bequests equally among their children is much lower in China as a proportion of the total population.

[12] One might expect bequest division patterns to be affected to some extent by legal restrictions but casual empiricism suggests that they are not a dominant determinant of bequest patterns. For example, one might expect bequests to be divided less equally in the United States, where it is possible to totally disinherit a given child, than in Japan, where it is not possible to totally disinherit a given child (in Japan, parents are required to leave at least half of an equal share to each child), but we find that equal division is far more prevalent in the United States than it is in Japan. Similarly, we might have expected bequests to be divided less equally in India because daughters did not have equal inheritance rights until the Hindu Succession Act of 2005 was passed, but we find that equal division is much more prevalent in India than it is in China and Japan.

[13] We focus here on whether or not bequests are divided equally but see Horioka (2014) for more detailed data on bequest division from the same data source.

[14] It should be noted, however, that the threshold amount in the questions regarding receipts of bequests and *inter vivos* transfers is much higher as a ratio of per capita GDP in India than in the other 3 countries and that the aforementioned income gap is much higher in India partly for this reason (see footnote 7).

[15] This table suggests that the proportion of respondents receiving transfers is much lower across the board in India than in the other 3 countries, but this may be partly because the threshold amount in the question concerning receipts of bequests and *inter vivos* transfers is much higher in India than in the other 3 countries (see footnote 5). Conversely, this table suggests that the proportion of respondents receiving transfers is

relatively high across the board in China, but this may be partly due to the fact that the average number of children is much lower in China as a result of the one-child policy and other population control measures, which implies fewer competitors for transfers.

[16] The high inter-spousal correlation in China is somewhat surprising, but one possible explanation is that it is due not to assortative mating but to the fact that husbands as well as wives are more likely to receive transfers from their parents because the average number of children is much lower in China due to the one-child policy and other population control measures.