

Think of our Father and how he would act to-day – and then judge as he would!¹⁰

Thomas Mann (1901). *Buddenbrooks*

Chapter 3. The family tradition approach to bequest behavior

Consider a dynasty with the very first bequest left by a parent to a child. There is no information whether this bequest was planned or accidental. The child might also have had no information whether the inheritance received from the parent was planned or not. Nonetheless, the child certainly enjoyed the inheritance. When the child has his or her own issue, he or she might decide to act as his or her own parent and bequeath too. This second bequest is likely to have been planned in advance, and it constitutes an echo of the first bequest. We can refer to the first bequest in a dynasty as a foundation bequest. The grandchildren of the first testator may continue the habit and so on as long as the dynasty lasts. At a given point in time, one observes individuals belonging to dynasties where no bequests were transferred, and to dynasties where a foundation bequest was left.

Echoed actions may be treated as a manifestation of tradition. Tradition is usually defined as “handing down of customs, convictions, principles, beliefs, mind-sets, manners of feeling or behavior, events from the past treated as historic (even though untestable), and art or craft accomplishments, and so forth” (Kopaliński, 1994). Kopaliński’s (1994) definition of tradition is very broad. Even though the content of tradition differs across societies, each society has its own tradition. The family tradition to bequeath is one. The aggregation of traditions yields a culture.

Section 3.1 provides details on how the concept of tradition was incorporated into economics. Section 3.2 introduces a heuristic definition of a family tradition to bequeath. The applicability of the family tradition approach to bequest behavior is discussed in Section 3.3.

3.1 Tradition in economics, and the role of the family in preserving and transmitting tradition

The role of tradition in individual economics behavior was recognized by Becker (1992), who analyzed traditions together with habits and addictions. These are components of individual

¹⁰ Quoted from Mann, Thomas (1901). *Buddenbrooks*. London: Vintage Books. (1999 Edition), p. 314. Translated from German by H. T. Lowe-Porter.

preferences. The common characteristic of habits, addictions, and traditions is that current choices are dependent on choices made in the past. Tradition as a type of habitual behavior displays a positive correlation between the past and the current. In the case of tradition, the past is more distant than in the case of other habits, and may include choices made by others (Becker, 1992). Whenever the behavior of children is positively correlated with the behavior of parents, one may treat the behavior as traditional.

Even though there is a consensus over the role that habits from distant past play in the constitution of institutions and cultures (Becker, 1992), tradition is usually perceived in line with the broad definition by Kopaliński (1994) as an inherited civilization (Hayek, 1958). Tradition as a feature of a society as a whole has been present in social sciences since their inception (Weber, 1922). This approach has been modified by Bourdieu (1970), who managed to capture traditions at individual level. The concept of reproduction of “habitus” (Bourdieu, 1970) is very similar to Becker’s (1992) formation of preferences via habits, addictions, and traditions.

The hypothesis of habit formation was tested empirically (Heien and Durham, 1991; Dynan, 2000) and also experimentally (Kahneman et al., 1990). Habitual behavior has been employed in the analysis of labor markets (Bover, 1991; Polkovnichenko, 2007), economic growth (Boyer, 1978; Carroll et al., 2000), consumption (Ferson and Constantinides, 1991; Naik and Moore, 1996), and addictions (Gruber and Köszegi, 2001; Bernheim and Rangel, 2004). The models of habit formation are still being developed (for example Angelini, 2009) whereas the economic aspects of traditions are underrepresented within the body of research inspired by habitual behavior. The individualistic approach to traditions was usually applied in economics in the analysis of how parental methods of doing things are replicated by children. These were discussed most formally by economists investigating the spread of altruistic behavior in a population by the imitation of the behavior of parents or non-parents (Stark, 1999). The rule of imitation of parents can be treated as a tradition set by parents. Falk and Stark (2001) develop a model where altruism and patience are handed down within dynasties, which can also be interpreted as traditional behavior. The model of family tradition to bequeath proposed by Cox and Stark (2005b) will be discussed in more detail in Section 3.2 of this Chapter.

Becker (1992) notices that parents may undertake certain actions in order to develop traditions, thereby consciously affect the formation of preferences of their children. Still, the

mechanism of transmission of preferences between generations operates regardless of whether one likes it or not. Parents are usually aware of the fact that children observe their choices and there is only a limited control over which choices will be mimicked by children in the future. The presence of children may impact on the behavior of parents (Tyszka, 1979), who are likely to behave as they would like their children to behave.

The role of the family in shaping personality and developing awareness of own culture is undisputable (Grabowska, 1989). The fact that experiences of early childhood impact on adulthood has become part of common knowledge. This phenomenon was discussed also within economics (Becker, 1992). Experiences of early adulthood, such as first employment, marriage, and parenthood are particularly important as far as the formation of preferences is concerned (Harwas-Napierała, 2009). Tradition traits might be attained by children when they are adult.

The manner in which the family influences its members is not constant over time, as the family itself has been changing over time (Flandrin, 1998). The introduction of public social assistance together with the development of market services providing care and insurance, created alternatives to the family as a source of care and insurance. The extension of the time that children spend acquiring education and often remain financially dependent on parents reinforced the influence of the family on children. The changes may affect the way in which the family enables individuals to understand the cultural legacy, but does not change the fact that the family remains a critical arena where tradition can be handed down (Tyszka, 1979).

Cultures are characterized by varying degrees of impact exerted by secular and religious traditions. The extent to which tradition, regardless of its type, is important is referred to as traditionalism. The more traditionalistic a culture, the stronger the impact of tradition on people's lives. Since traditions are transmitted within families, more traditionalistic parents are likely to rear more traditionalistic children: the more traditionalistic the parent, the more likely it is that actions aimed at instilling a preference for tradition in children will be undertaken. This applies also to the family tradition to bequeath. Thus, one might expect that the hold of the family tradition to bequeath will be in tune with the traditionalism of the culture to which the holder of the family tradition belongs. The more traditionalistic the culture, the less likely it is that once set, a tradition will vanish.

According to the model presented in Chapter 4, individuals without a family tradition to bequeath may leave a planned bequest out of altruism. Such an altruistic bequest becomes a foundation bequest for the heirs, because the family tradition to bequeath is bundled with the inheritance. Foundation bequests are another channel through which traditionalism may affect the prevalence of a family tradition to bequeath.

Altruistic behavior of parents towards their children (Purkayastha, 2003) shapes the altruistic preferences of children (Jellal and Wolff, 2002). To the extent that there is a correlation between parental and filial altruism, altruistic behavior can be viewed as “traditional.” In many cultures, there are great many secular and religious traditions involving altruism. For example, in contemporary Poland, altruism is cultivated in daily life (for instance through the tradition of paying a visit to a pregnant woman) or on special occasions (through the tradition of donating to WOŚP, a charity¹¹). The rescuers of Jews from the Nazi extermination during World War II stated that the roots of their acts were traditional values of altruism cultivated by their families (Oliner and Oliner, 2004). One might expect then that traditionalism nourishes altruistic behavior. Within societies with a strong tradition of altruistic behavior, more traditionalistic individuals are more likely to be altruistic and thus more likely to leave a foundation bequest than less traditionalistic individuals facing the same budget constraint. One might expect that individuals living in more traditionalistic societies are not only more likely to abide by a family tradition to bequeath, but also more inclined to seek to set a family tradition to bequeath.

Traditionalism was investigated in the World Values Survey (WVS) wave 5 performed in years 2005–2007. The WVS is a worldwide network collecting data on social and political issues since 1981 through representative national surveys in 67 countries. The WVS covers a full range of societies differentiated with respect to wealth, political systems, and culture. In the WVS wave 5, respondents were asked to rate on a 6-degree scale how much their attitude resembles the attitude of an individual in question V89: “Tradition is important to this person; to follow the customs handed down by one’s religion or family.” Answers to this question reveal how traditionalistic the respondents are. The wording of the question suggests a distinction between family and religious traditions. One needs not to forget that both religious

¹¹ WOŚP (Wielka Orkiestra Świątecznej Pomocy) founded in 1993 is the largest and most famous charity organization in Poland aimed to support medical treatment of children.

and secular traditions are transmitted and cultivated by the family (Tyszka, 1979), and thus family traditions include also religious traditions.

The answers were grouped into three categories:

- Strong Traditionalists: those who answered “very much like me” or “like me;”
- Weak Traditionalists: those who answered “somewhat like me;”
- Non-Traditionalists: those who answered “not like me” or “not at all like me.”

Respondents who declared that the person described in question V89 is “a little like me” are not classified as either Traditionalists or Non-Traditionalists.

The differences between the fractions of men and women being Strong Traditionalists, Weak Traditionalists, and Non-Traditionalists are negligible. The respondents who declared themselves “a religious person” are more often Strong Traditionalists (67% out of 48,999 individuals) than those who declared themselves “not a religious person” or “a convinced atheist” (38% out of 20,071 individuals). Figure 3.1 presents how often respondents declare that their traditions, regardless of their content, are important.

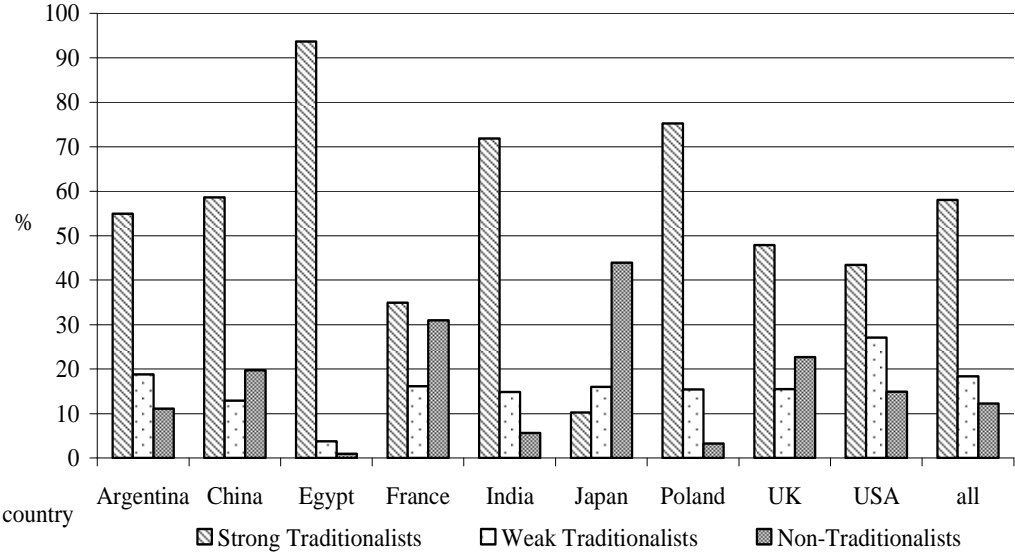


Figure 3.1: Percentages of Strong Traditionalists, Weak Traditionalists and Non-Traditionalists in selected countries

Source: Author’s own calculations based upon WVS wave 5.
 Note: WVS covers all individuals from 51 countries who answered question V89 in the WVS wave 5. Fractions weighted by the population weights. Number of observations: Argentina – 978; China – 1,926; Egypt – 3,049; France – 993; India – 1,713; Japan – 1,031; Poland – 990; UK – 1,030; US – 1,220; all – 71,466.

The most traditionalistic country covered by the WVS is Egypt with 93% of the respondents being Strong Traditionalists and only 1% being Non-Traditionalists. Societies in India and Poland are also very traditionalistic with 91% and 87% of Traditionalists, respectively. The least traditionalistic country, according to the WVS, is Japan, where only 10% of respondents can be classified as Strong Traditionalists and fully 44% are Non-Traditionalists. As far as Europe is concerned, the least traditionalistic society is found in France with only 35% of Strong Traditionalists and 31% of Non-Traditionalists. Of the entire WVS population that answered the question on tradition, 76% are Traditionalists and 12% are Non-Traditionalists. This suggests that if bequeathing were to be fully consistent with traditionalism in the WVS sample, 76% of the individuals would consider this perspective important, that is they would use it as an essential guidance when planning bequests.

One of the highest fractions of Strong Traditionalists was observed in Poland. A research conducted by *Ćwikła* (2009) on 70 Poles aged between 22 and 70 shows that 53% of respondents declare cultivating family traditions. Maintenance of family traditions is listed among the most important values by 40% of the respondents, following family (93%), and friends (60%) (*Ćwikła*, 2009). Respondents admit that they possess a multigenerational heirloom such as a photography (67%), furniture or paintings (23%), letters or tableware (13%), and books or magazines (10%) (*Ćwikła*, 2009). Only 10% of respondents say that family history is not discussed at home (*Ćwikła*, 2009). The research shows that Polish families are often aware of the family history and cultivate family traditions.

Figure 3.2 presents a positive correlation between the importance of traditions and the number of children. Since the data are cross-sectional, the dynamics within cohorts cannot be traced, and we do not know whether parenthood makes tradition more important or the more traditionalistic individuals are more willing to have more children. As far as the relation between the importance of traditions and age is concerned, a similar pattern is observed in Figure 3.3. Analogously, we do not know whether individuals become more traditionalistic with age, or simply older cohorts value traditions more than younger ones, and this valuation remains constant over the lifetime. Nonetheless, the presented descriptive statistics supports the statement that tradition plays an important role in human behavior. There are societies where the role of tradition is crucial in understanding the choices that individuals make.

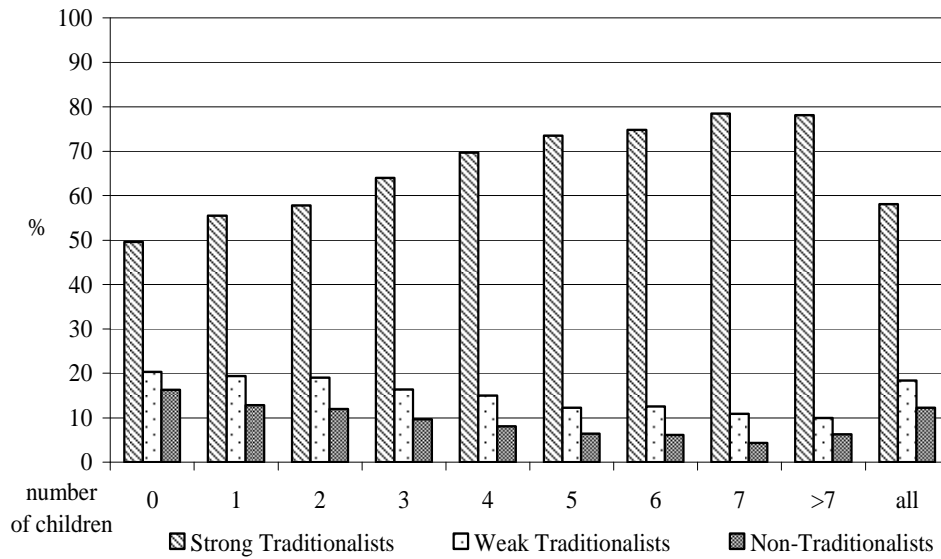


Figure 3.2: Percentages of Strong Traditionalists, Weak Traditionalists and Non-Traditionalists by the number of children

Source: Author's own calculations based upon WVS wave 5.

Note: Fractions weighted by the population weights. Number of observations with respect to the number of children: 0 – 19,957; 1 – 11,266; 2 – 17,708; 3 – 9,693; 4 – 4,727; 5 – 2,563; 6 – 1,480; 7 – 840; >7 – 1,110; all – 71,466.

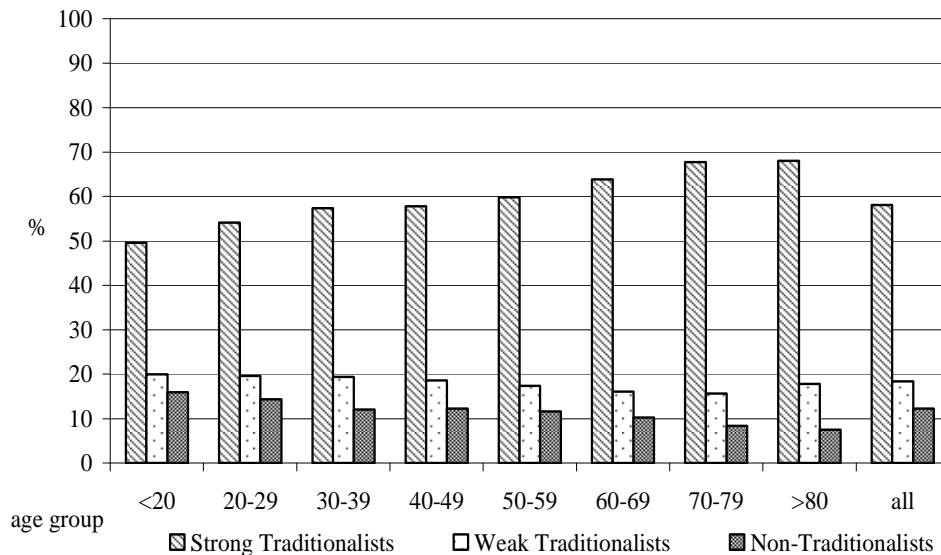


Figure 3.3: Percentages of Strong Traditionalists, Weak Traditionalists and Non-Traditionalists by the age group

Source: Author's own calculations based upon WVS wave 5.

Note: Fractions weighted by the population weights. Number of observations with respect to an age group: <20 – 3,357; 20-29 – 16,958; 30-39 – 14,935; 40-49 – 13,235; 50-59 – 10,430; 60-69 – 7,163; 70-79 – 3,874; >80 – 1,334; all – 71,466.

3.2 The role of inheritances in shaping bequest preferences: how a tradition is set

Let us define a family tradition to bequeath as a positive correlation between the bequest behavior of parents and the bequest behavior of their children. If there is no bequest behavior of a parent, there is no family tradition to bequeath. Once the family tradition is set, it becomes a motive to bequeath. There is a tension between own consumption, consumption of the children supported by the planned bequests, and obeying the family tradition to bequeath. Bequeathing reduces felicity from own lifetime consumption, and increases felicity from obeying the family tradition.

The family tradition to bequeath has qualitative and quantitative dimensions. An individual with a family tradition to bequeath aims not only to bequeath, but aims to bequeath not less than he or she inherited. Planning to leave no bequest at all after receiving an inheritance generates guilt, a feeling of betrayal of the family tradition. The quantitative dimension of the family tradition to bequeath sets one's sights on bequeathing at least as much as was inherited. Thus, the correlation of bequest behavior between two adjacent generations concerns not only the act of transmission of bequests, but also the amount of bequests. If one fails to amass enough resources to allow a bequest reaching the value of the received inheritance, there is disutility from not adhering to the tradition. Once the planned bequest exceeds the threshold set by the inheritance, the felicity from fulfilling the family tradition becomes strictly positive.

There is a link between inheritance, wealth, and planned bequests. The larger the inheritance, the larger the threshold of planned bequests fulfilling the family tradition. Wealthier individuals can afford larger bequests, especially if the wealth comes from inheritance. If there is no motive to bequeath, even the wealthiest individual will not plan to bequeath. The above mechanism may partially explain why, in the case of wealthy individuals who did not inherit, the planned bequests are often surprisingly small. According to Richard Harris, a British trader providing an online service for writing wills, self made multi-millionaires tend to substantially limit the bequests left to their children (Wilkinson, 2009). One of the most widely known cases of such bequest plans is that of Bill Gates and his wife, who have endowed their charity foundation with more than \$28.8 billion (as of January 2005) (Microsoft News Center, 2010). The Gates' plan to leave to each of their three children a bequest of \$10 million and give the rest to charity (Wilkinson, 2009).

The foundation bequest (that is the first bequest in a dynasty) is left by parents without a family tradition to bequeath to begin with. Foundation bequests implant the family tradition to bequeath in the preferences of an heir. How the family tradition to bequeath was founded in the distant past cannot be empirically tested without adequate data from the past. Possibly, in ancient times an accidental bequest might have set the family tradition to bequeath. Although we cannot directly investigate foundation bequests from the past, we can observe their consequences in echoed bequest behavior of the current generations with a family tradition to bequeath.

The dynamics of bequest behavior over generations within dynasties cannot be traced easily since there are few data reaching far back in time. Thus, it might be convenient to think of the family tradition to bequeath within the setting of a dynasty. If one generation deviates from the family tradition to bequeath and does not leave any bequest, then the family tradition breaks down, and it might be restored when a new foundation bequest is left. Even though disappearance of the family tradition to bequeath is irreversible for the family, it is reversible for the dynasty. One reason for deviation from traditional bequest behavior is an external shock: for instance, a natural disaster such as a flood or hurricane; or an economic crisis such as collapse of the stock or housing market. Also, political changes such as wars, dispossession, or abolishment of private property (nationalization) can make individuals' plans to bequeath untenable due to paucity of resources.

In dynasties with the family tradition to bequeath, a child might expect his or her parents to plan to leave a bequest, especially if the child observed receipt of an inheritance by the parents. As noted in Section 2.3, such expectations of the child might reinforce the hold of the family tradition in the preferences of the parents. Moreover, the children might believe before inheriting that they should leave bequests to their own children in the future. The circumstances may change so that the execution of the bequest planned by the parents will be impossible. If the planned bequest is not made, the family tradition to bequeath will not be set in the preferences of the children, even if they were predisposed to act in line with the bequest behavior of the grandparents. The children will be shown that the family tradition can be disobeyed and they will feel freed from the duty of continuing the tradition.

During the nationalization of private property under socialism in the countries under the communist rule after World War II, there were individuals who would have planned to

bequeath, but could not due to the dispossession of their wealth. The family tradition to bequeath could not be enacted. Owing to the restitution of formerly nationalized property that occurred after 1989, some of what had previously been taken away by the state was given back to the descendants of the former property owners. Moreover, even if the original owners did not plan to bequeath, the state might involuntarily have made a contrary decision on a delayed intergenerational transmission of wealth. This unusual experience might have led to the same repercussions as if the wealth had been bequeathed by parents. The state would have restored the family tradition to bequeath back into the life of dynasties.

No bill providing for a general restitution of nationalized property was passed in Poland after 1989 (Osajda, 2009). Only if the nationalization had been carried out in violation of the procedures set forth in the nationalization act, could the property be recovered by the family through court proceedings (Osajda, 2009). One reason for not adopting any restitution law in Poland was that the estimated value of the property to be given back reached half of Poland's budget in 1991 (Gelpern, 1993). In the Czech Republic, nationalized property, mainly land, was returned to the previous owners and to their heirs based upon three acts, among which two concerned only citizens of the former Czechoslovakia and residents of the Czech Republic (Gelpern, 1993). Some non-heirs in the Czech Republic could act as if they were heirs by operation of the general restitution program. This effect cannot be observed in Poland as there is no general restitution law in place. The empirical analysis allows us to address this issue since Poland and the Czech Republic are covered by the SHARE data.

3.3 Applicability of the family tradition approach to bequest behavior

Since the family tradition to bequeath, as every tradition, is also a cultural phenomenon, there arises the question to what culture the family tradition approach to bequest behavior can be attributed. Various cultures differ in terms of bequest behavior; presumably, these differences are even stronger in historical cultures. This Section provides a brief discussion of applicability of the family tradition model.

The formal model of the family tradition does not raise the question how bequests are divided between children. Different solutions to the division problem are applied, ranging from equal division among all children to bequeathing to one child only (primogeniture) (Homans, 1937). In the case of equal sharing, all children acquire the family tradition to bequeath equally. In

the case of unequal sharing among the children, the traditions differ between children, depending on the share of the bequest left to each child. In the case of primogeniture, only the inheriting child acquires the family tradition. Therefore, cultures with a custom of primogeniture will be characterized by a lower number of individuals with the family tradition to bequeath.

Primogeniture was common in feudal Europe (Bertocchi, 2006) and in ancient Asia (Chu, 1991). Chu (1991) and Bergstrom (1994) claim that primogeniture emerges in societies with a high mortality rate and imperfect capital markets as a strategy to minimize the probability of dynastic extinction. The Napoleonic Code in France introduced property rights for peasants in 1804, but enforced equal division of bequests even in the case of testate succession (Habakkuk, 1955). This led to leaving foundation bequests that introduced the family tradition into all branches of the family. Even if partible bequests prevail as industrialization and democratization advance (Bertocchi, 2006), lack of a family tradition to bequeath in the previous generation results in the following generation having no family tradition motive for bequeathing.

If there is primogeniture, the family tradition to bequeath is transmitted only within the succession line of the family. It is more difficult to break the chain of traditional bequests reaching back to more than one preceding generation. The hold of the family tradition to bequeath depends on the number of preceding generations that complied with the tradition. A very long duration of the primogeniture practice in a dynasty enforces the strength of the family tradition to bequeath, with each generation of successors deepening the difference in preferences to bequeath between heirs and non-heirs. Thus, primogeniture may still be in force in some cultures. Moreover, individuals from more traditionalistic cultures are more likely to be attached to traditions in general, and thus to the family tradition to bequeath in particular.

The impact of inheritance laws on the transmission of preferences to bequeath is especially vivid in cultures in which men and women do not share the same rights. When daughters cannot receive bequests (Klima, 1957), only male offspring can acquire the family tradition to bequeath. In the Middle Ages, depending on the law upon which the charter granted to a town or village was based, daughters were permitted to bequeath (for example, under the Chełmno Law) or not (for example, under the Magdeburg Law; Powierski, 1985). Thus, the family

tradition could be carried on only by men in the towns chartered upon the Magdeburg Law. If the bequest decision is made by a married couple, the wife might be a negative influence on the planned bequests, weakening the formation of preferences in the heirs. There are cultures where a woman cannot possess any wealth except for kitchen tools (Malinowski, 1915). The kitchen tools are passed down from mothers to daughters just as the land is from fathers to sons, setting parallel gender-specific family traditions to bequeath. The family tradition approach to bequest behavior relies on the uniqueness of the relation between parents and their children. However, there are cultures where bequests are transmitted through other channels. In the Trobriand (Kiriwina) Islands, for example, men are responsible for upbringing sons of their sisters (nephews) and provide bequests to the nephews (Malinowski, 1935). The family tradition approach to bequest behavior can be adapted to the Trobriands uncle-nephew setting. Nonetheless, the family tradition premise should be interpreted carefully as the Trobriands setting differs from the “normal” conditions, even if the uncle-nephew relation seems to mimic the parent-child relation as known to current western cultures.

In cultures without private property or without bequests, the family tradition cannot be established through the non-event of inheriting. Cochrane (1971) describes a tribe where parents do not have any property rights since, at the onset of parenthood, their property rights are automatically transferred to their children. Still, children can appreciate what was passed on to them and seek to follow that precedent. In medieval Poland, a common form of property ownership was *niedział*, i.e. an institutional arrangement under which all the male family members (the father, his brothers, and their sons) held inalienable rights to the property, and none could decide alone on the disposition of any part of it without the consent of all the other members of the *niedział* arrangement (Waldo, 1967). This special form of collective property ownership guarded against fragmentation and the transfer of wealth to unrelated persons (Waldo, 1967). The death of any member of *niedział* did not affect the ownership rights of other members. Thus, a father could not directly bequeath wealth that was subject to *niedział*. This form of perpetual and continuous intergenerational wealth holding could have gestated into a family tradition to bequeath once the institutional environment changed and *niedział* was lifted.

There is a need to take into account the culture-specific environment even if the family tradition approach to bequest behavior can be applied without any restrictions. For instance,

the family tradition to bequeath a given amount of wealth could have unique significance in the tribe of Ashanti (Levi-Strauss, 1970) whose members believe that a grandson is identical to a grandfather, and a granddaughter is identical to a grandmother. In such a cultural environment, the family tradition acquires a very specific interpretation. Even in the current western cultures there are various interpretations of the family tradition model. The US law permits leaving bequests in the form of a trust, thereby postponing the transfer of bequests to beneficiaries until a certain time after the testator's death. If the transfer of bequests cannot be delayed in time, which is the case in Poland, the present value of such a bequest is lower than if it were left as a trust. Thus, the possibility to bequeath using trusts sets a higher threshold of the planned bequests fulfilling the family tradition.

The family tradition approach to bequest behavior can be applied to the historical and the current cultures. The formal model of the family tradition to bequeath provides a general framework applicable to different cultural settings with different qualitative dimensions.