

Understanding intergenerational transfers within the family is a key factor for designing of effective policies on health and social care or education policy. While, the topic of resource allocation in a two-generation household, i.e. consisting of parents and children, has been well established, surprisingly, the analysis of economic behavior in relation to the oldest generation (grandparents) has attracted limited attention so far. Assuming the increasing life expectancy among European citizens the issue of transfers in three-generation households will gain in importance.

An important class of empirical and theoretical studies shows that resource allocation between parents and children can be explained by altruistic behavior towards children in a two-generation framework. In this project, we are going to examine how the distribution of resources is affected by the inclusion of the third-generation (the generation of grandparents) in households, where resources are mainly provided by middle-aged working generation (parents). In particular, we will investigate if altruism, e.g. direct and indirect reciprocity, can explain the distribution of resources in the three-generation framework. Additionally, we are going to explore whether decisions regarding the distribution of resources in the three-generation households are less effective than those in the two-generation households and under which conditions the needs of grandparents are being sacrificed to needs of the children. The context of our study will be health care.

In this project we are going to apply both: an experimental method, and a Choice Experiments (CE) non-market valuation method based on stated preferences. We plan to conduct two major surveys: an experimental survey in the Laboratory of Experimental Economics at the Faculty of Economic Sciences in the University of Warsaw and the CE on the nationwide sample carried out by the professional polling agency. In the experimental study, we would like to mimic the financial relationships between family members in three- and two-generation households and then to manipulate potentially relevant factors (such as e.g. income, individual or common decision taking) to see how this influence willingness to pay (WTP) for particular family members. The sample composition will allow us to analyze the differences in valuation between the three- and two-generation households. The advantage of experimental study is that the choices made by individuals are not hypothetical. Subjects' decisions have real financial consequences (the payment from the lab experiment).

The advantage of the second study – the CE valuation study is possibility to estimate WTP for improving the health of individual household members, and estimate the marginal rate of substitution between the valuation of the health of the middle generation and the valuation of the health of their children and parents (the oldest generation). The Choice Experiment method is based on stated preferences. The theoretical basis of this method is the characteristic demand theory by Lancaster, the random utility theory and the experimental design theory. In the project we will attempt to design a theoretical model on the resources allocation including intra-household altruism in the three-generation families.

As far as we know, our study would be the first to investigate how including a third generation alters household decision making over resources using experimental methods and non-market valuation methods. The current structure of Polish households give an unique opportunity to conduct such a study, as the share of three-generation households in Poland is relatively large and equals to 10%. For comparison, in the UK three-generation households consist only 2% of all household. The results of our study may provide guidance for policy makers to design policies to improve the situation of the elderly in particular in the context of health care.