



Donative behavior at the end of life



Jonathan Meer^a, Harvey S. Rosen^{b,*}

^a Department of Economics, Texas A&M University, 3042 Allen Building, College Station, TX 77843-4228, USA

^b Department of Economics, Princeton University, 206 Fisher Hall, Princeton, NJ 08544-1021, USA

ARTICLE INFO

Article history:

Received 19 November 2012

Received in revised form 12 June 2013

Accepted 16 June 2013

Available online 25 June 2013

JEL classification:

D64

I23

J14

H41

Keywords:

Charitable giving

Aging

Financing of higher education

Philanthropy

Terror management theory

ABSTRACT

A general finding in the empirical literature on charitable giving is that among older individuals, both the probability of giving and the conditional amount of donations decrease with age, *ceteris paribus*. In this paper, we use data on giving by alumni at an anonymous university to investigate end-of-life giving patterns. Our main finding is that taking into account the approach of death substantially changes the age-giving profile for the elderly—in one segment of the age distribution, the independent effect of an increase in age on giving actually changes from negative to positive.

We examine how the decline in giving as death approaches varies with the length of time that a given condition is likely to bring about death, and the individual's age when he died. We find that for individuals who died from conditions that bring about death fairly quickly, there is little decline in giving as death approaches compared to those who died from other causes. Further, the decline in giving as death approaches is steeper for the elderly (for whom death is less likely to be a surprise) than for the relatively young. These findings suggest that our primary result, that failing to take into account the approach of death leads to biased inferences with respect to the age-giving profile, is not merely an artifact of some kind of nonlinearity in the relationship between age and giving.

© 2013 Elsevier B.V. All rights reserved.

1. Introduction

A general finding in the empirical literature on charitable giving is that among older individuals, both the probability of giving and the conditional amount of donations decrease with age, *ceteris paribus*. As [Bekkers and Wiepking \(2011\)](#) note in their comprehensive summary of the literature, the exact age at which the relationship between age and giving becomes negative varies from study to study, but it tends to be between 65 and 75 ([Wiepking and James, 2012](#), p. 2). Why should giving fall at advanced ages? The answer is not at all clear. In this paper, we argue that the documented decline in giving with age is, to a large extent, a result of approaching death, rather than aging *per se*.

When we look for other possible explanations, a natural one is that the fall in giving is due to typical life-cycle considerations: income declines after retirement, and because charitable giving is a normal good,¹ it falls. However, the negative slope of the age-giving profile for the elderly is generally present even when income is taken into account ([Bekkers and Wiepking, 2011](#), p. 351). Aging might also make one more aware of the financial needs of spouses and children. To the extent that, as they approach death, people believe that they are spending their heirs' money, there will be a tendency to accelerate *inter vivos* transfers or saving for bequests. The effect would be to reduce charitable giving.

* Corresponding author. Tel.: +1 609 258 4022; fax: +1 609 258 5398.

E-mail addresses: jmeer@econmail.tamu.edu (J. Meer), hsr@princeton.edu (H.S. Rosen).

¹ See the studies surveyed in [Andreoni \(2006, pp. 1235–1240\)](#).

Another set of explanations centers around the health status of the elderly. To the extent that the elderly are ill, they may be too distracted to think about charitable giving, or the resources that they might have devoted to philanthropy are used to meet the costs of health care. Relatedly, [Wiepking and James \(2012, p. 10\)](#) note that people who are ill are less likely to attend church and to participate in other activities that might expose them to direct personal solicitations for charitable donations. Illness can also affect people's cognitive abilities, a potentially important consideration given the evidence in the psychology literature of a positive relationship between cognitive skills and the ability to empathize with other people ([Wiepking and James, 2012, p. 6](#)).

[Wiepking and James \(2012\)](#) examine these various explanations for the decline in giving among the very old in a regression framework using data from the Health and Retirement Study. Using an indicator for giving more than \$500 in a given year as a response variable, they find that only church attendance has a substantial effect on the shape of the age-giving profile. The proportion of income spent on health care, the number of children, income, assets, a measure of cognitive ability, standard demographic variables, and, most importantly, a variety of self-reported measures of health status, do not influence the age-giving profile.

Another approach to thinking about giving patterns among the elderly begins with the notion that the contemplation of death per se affects donative behavior. Psychologists refer to this idea as “terror management theory” (TMT). As explained by [Hirschberger \(2010, p. 205\)](#), “People cherish life but are aware that life is transient and temporary. Inability to escape this fate could render humans helpless and consumed with terror. But they have devised elaborate symbolic defense mechanisms that remove thoughts of death from consciousness.” Specifically, “to defend and protect themselves against existential anxiety, people create and cling to cultural world views—collective understandings of reality that . . . render existence meaningful, coherent, and permanent” ([Grant and Wade-Benzoni, 2009, p. 603](#)). Prosocial behavior is one such way to render existence meaningful and reduce the terror of death. As Hirschberger notes, this idea is consistent with many cultural and religious beliefs. The implication of this line of reasoning for the shape of the age-giving profile seems to be clear: death awareness increases with age; hence, so should philanthropic behavior, other things being the same. If so, the only way to explain the decrease in giving with age among the elderly is that some other effect or effects that work in the opposite direction dominate the TMT effect.

The tests of TMT in the psychology literature consist primarily of giving experimental subjects death primes, such as asking them open-ended questions about death or physical pain, and then asking the subjects a series of questions about whether they would be willing to donate money or time to a given charitable organization ([Grant and Wade-Benzoni, 2009](#)). The findings are not always consistent with the notion that salience of death increases prosocial behavior, a result that can be squared with TMT if the particular prosocial behavior itself rekindles thoughts of death. “In such cases, observers shift their gaze, feel less compassionate, attribute more blame, and ultimately refuse to help” ([Hirschberger, 2010, p. 216](#)). In any case, as far as we can tell, none of the empirical research relies on observational data. That is, it does not look at the donative behavior of people who are actually approaching death.

Members of the baby boom generation are now beginning to enter retirement age. As this trend accelerates, it is of considerable importance to understand how their philanthropic behavior will change. In particular, predictions based on age per se could be wrong if the variable that is really driving giving is the approach of death. In this paper, we use data on charitable giving by alumni at an anonymous university (referred to hereinafter as “Anon U”) to investigate end-of-life giving patterns. The key issue is the extent to which the decline of giving in old age is due to the approach of death per se. Section 2 describes the data, and Section 3 discusses the econometric strategy and presents the main results. Our main finding is that taking into account the approach of death substantially changes the age-giving profile for the elderly. For example, when the approach of death is not taken into account, the probability of giving with respect to age for a 75 year old is, on average, 5.3 percentage points lower than a 65 year old. In contrast, when the approach of death is taken into account, this difference is actually positive 2.4 percentage points.²

Section 4 examines possible heterogeneity in the response of giving to the approach of death. We show that the decline in giving as death approaches varies with the length of time that a given condition takes to bring about death and the individual's age when he dies. We find that individuals who died from conditions that bring about death fairly quickly exhibit little decline in giving in the years before death compared to those who died from other causes. Further, the decline in giving as death approaches is steeper for the elderly (for whom death is less likely to be a surprise) than for the relatively young. These findings suggest that our primary result, which is that ignoring the approach of death leads to misleading inferences about the shape of the age-giving profile, is not merely an artifact of some kind of nonlinearity in the relationship between age and giving. We also speculate on possible links between end-of-life giving and bequest behavior. At least on the basis of simple correlations in the data, we find no evidence that the decline in giving toward the end of life is associated with a substitution toward bequests, nor that those who leave bequests have different end-of-life giving patterns than those who do not. A final section provides a summary and conclusion.

² Note that our “age” variable is actually years since graduation, since exact birth dates are missing for some members of older cohorts. For ease of interpretation and brevity, we define age as years-since-graduation plus 22.

Download English Version:

<https://daneshyari.com/en/article/7243801>

Download Persian Version:

<https://daneshyari.com/article/7243801>

[Daneshyari.com](https://daneshyari.com)