

Understanding the Saving Behavior of Chinese Households: Intergenerational Transfers and Housing

Lan Lan *

Abstract

This paper investigates the role of intergenerational transfers in explaining the age-saving profile of Chinese households. In a quantitative overlapping generations (OLG) model, saving rates are linked with altruism of parents and credit constraints of their children, through intergenerational transfers. Saving rates of middle-aged parents decline with altruism (“*altruism*” channel) and the tightness of their children’s credit constraints on housing purchase (“*credit constraint*” channel). The estimation of life-cycle saving rates based on this model fits the data well. Using a sample of matched parent-child pairs from the China Family Panel Studies, I test the “*altruism*” channel by exploiting the exogenous deaths of children as a natural experiment. Next, I test the “*credit constraint*” channel from two mechanisms: random allocation of military graduates to different cities, and cross-city variation of mortgage accessibility. Parents whose children are sent by the military to cities with higher housing prices have lower saving rates, *ceteris paribus*. Access to discounts of down payments for home buyers leads to an increase in their parents’ saving rates.

Keywords: saving rate, intergenerational transfer, altruism, credit constraint

*Toulouse School of Economics. Contact: lan.lan@tse-fr.eu.