

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The Economics of Aging

Volume Author/Editor: David A. Wise, editor

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-90295-1

Volume URL: <http://www.nber.org/books/wise89-1>

Conference Date: March 19-22, 1987

Publication Date: 1989

Chapter Title: Front matter, table of contents, acknowledgment

Chapter Author: David A. Wise

Chapter URL: <http://www.nber.org/chapters/c11575>

Chapter pages in book: (p. -11 - 0)

Wise



National  
Bureau of  
Economic  
Research

# The Economics of Aging

The Economics  
of Aging



National  
Bureau of  
Economic  
Research

W

Chicago

Edited by  
**David A. Wise**

## The Economics of Aging

*Edited by*

DAVID A. WISE

*The Economics of Aging* presents results from an ongoing National Bureau of Economic Research project. Contributors consider the housing mobility and living arrangements of the elderly, their labor force participation and retirement, the economics of their health care, and their financial status. The goal of the research is to further our understanding both of the factors that determine the well-being of the elderly and of the consequences that follow from an increasingly older population with longer individual life spans. Each paper is accompanied by critical commentary.

Jonathan Feinstein and Daniel McFadden find that wealthier households are less likely to move than poorer households and that changes in family composition or retirement status increase the likelihood of moving. After studying the housing wealth of high- and low-income families, Steven F. Venti and David A. Wise conclude that reverse mortgage annuities are likely to increase the income of the poor elderly. Konrad Stahl, comparing housing mobility patterns of the elderly in the United States and West Germany, finds that moving is associated with substantial increases in the ratio of housing costs to income in both countries. Axel Börsch-Supan studies the economic and demographic determinants of the decision to live independently.

Laurence J. Kotlikoff and John Morris present the findings of a new survey of extended families in Massachusetts that suggest that a significant minority of the elderly in need of assistance either have no children or receive little care from their children. Laurence J. Kotlikoff and David A. Wise describe the pension plan of a typical large firm, which provides strong incentives to retire at age

---

# The Economics of Aging



**A National Bureau  
of Economic Research  
Project Report**

---

# The Economics of Aging

Edited by **David A. Wise**



The University of Chicago Press

*Chicago and London*

---

DAVID A. Wise is the John F. Stambaugh Professor of Political Economy at the John F. Kennedy School of Government, Harvard University.

The University of Chicago Press, Chicago 60637  
The University of Chicago Press, Ltd., London

© 1989 by The National Bureau of Economic Research  
All rights reserved. Published 1989  
Printed in the United States of America  
98 97 96 95 94 93 92 91 90 89 5 4 3 2 1

Chapter 10 in this volume is taken from material in Laurence J. Kotlikoff and David A. Wise, *The wage carrot and the pension stick: Retirement benefits and labor force participation* (© 1989 W. E. Upjohn Institute for Employment Research. All rights reserved).

∞ The paper used in this publication meets the minimum requirements of the American National Standards Institute for Information Sciences—Permanence of Paper for Printed Library Materials, ANSI Z39.48-1984.

#### **Library of Congress Cataloging-in-Publication Data**

The Economics of aging / edited by David A. Wise.

p. cm. — (A National Bureau of Economic Research project report)

“Papers presented at a conference held at the Bourbon Orleans Hotel, New Orleans, Louisiana, 19–21 March 1987” — Acknowledgments.

Includes bibliographies and indexes.

ISBN 0-226-90295-1

1. Aged—United States—Economic conditions—Congress. 2. Old age—Economic aspects—United States—Congress. 3. Aged—Housing—United States—Congress. 4. Retirement—Economic aspects—United States—Congress. I. Wise, David A. II. National Bureau of Economic Research. III. Series.

HQ1064.U5E26 1988

305.2'6'0973—dc19

88-25159  
CIP

---

## National Bureau of Economic Research

### Officers

Richard N. Rosett, *chairman*

George T. Conklin, Jr., *vice-chairman*

Martin Feldstein, *president and chief executive officer*

Geoffrey Carliner, *executive director*

Charles A. Walworth, *treasurer*

Sam Parker, *director of finance and administration*

### Directors at Large

John H. Biggs

Andrew Brimmer

Carl F. Christ

George T. Conklin, Jr.

Kathleen B. Cooper

Jean A. Crockett

George C. Eads

Morton Ehrlich

Martin Feldstein

David L. Grove

George Hatsopoulos

Franklin A. Lindsay

Paul W. McCracken

Leo Melamed

Geoffrey H. Moore

Michael H. Moskow

James J. O'Leary

Robert T. Parry

Peter G. Peterson

Robert V. Roosa

Richard N. Rosett

Bert Seidman

Eli Shapiro

Harold Shapiro

Donald S. Wasserman

### Directors by University Appointment

Charles H. Berry, *Princeton*

James Duesenberry, *Harvard*

Ann F. Friedlaender, *Massachusetts Institute of Technology*

Jonathan Hughes, *Northwestern*

Saul Hymans, *Michigan*

J. C. LaForce, *California, Los Angeles*

Marjorie McElroy, *Duke*

Merton J. Peck, *Yale*

James L. Pierce, *California, Berkeley*

Andrew Postlewaite, *Pennsylvania*

Nathan Rosenberg, *Stanford*

James Simler, *Minnesota*

William S. Vickrey, *Columbia*

Burton A. Weisbrod, *Wisconsin*

Arnold Zellner, *Chicago*

### Directors by Appointment of Other Organizations

Richard Easterlin, *Economic History Association*

Edgar Fiedler, *National Association of Business Economists*

Bruce Gardner, *American Agricultural Economics Association*

Robert S. Hamada, *American Finance Association*

Robert C. Holland, *Committee for Economic Development*

David Kendrick, *American Economic Association*

Eric Kruger, *The Conference Board*

Rudolph A. Oswald, *American Federation of Labor and Congress of Industrial Organizations*

Douglas D. Purvis, *Canadian Economics Association*

Dudley Wallace, *American Statistical Association*

Charles A. Walworth, *American Institute of Certified Public Accountants*

### Directors Emeriti

Moses Abramovitz

Emilio G. Collado

Solomon Fabricant

Frank W. Fetter

Thomas D. Flynn

Gottfried Haberler

George B. Roberts

Willard L. Thorp



---

## **Relation of the Directors to the Work and Publications of the National Bureau of Economic Research**

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The Board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.

2. The President of the National Bureau shall submit to the Board of Directors, or to its Executive Committee, for their formal adoption all specific proposals for research to be instituted.

3. No research report shall be published by the National Bureau until the President has sent each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the principles of the National Bureau. Such notification will include an abstract or summary of the manuscript's content and a response form for use by those Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied, the character of the data and their utilization in the report, and the main conclusions reached.

4. For each manuscript so submitted, a special committee of the Directors (including Directors Emeriti) shall be appointed by majority agreement of the President and Vice Presidents (or by the Executive Committee in case of inability to decide on the part of the President and Vice Presidents), consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when notice of the proposed publication is submitted to him. It shall be the duty of each member of the special manuscript committee to read the manuscript. If each member of the manuscript committee signifies his approval within thirty days of the transmittal of the manuscript, the report may be published. If at the end of that period any member of the manuscript committee withholds his approval, the President shall then notify each member of the Board, requesting approval or disapproval of publication, and thirty days additional shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board who shall have voted on the proposal within the time fixed for the receipt of votes shall have approved.

5. No manuscript may be published, though approved by each member of the special manuscript committee, until forty-five days have elapsed from the transmittal of the report in manuscript form. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general or the special committee have passed on its validity in every detail.

6. Publications of the National Bureau issued for informational purposes concerning the work of the Bureau and its staff, or issued to inform the public of activities of Bureau staff, and volumes issued as a result of various conferences involving the National Bureau shall contain a specific disclaimer noting that such publication has not passed through the normal review procedures required in this resolution. The Executive Committee of the Board is charged with review of all such publications from time to time to ensure that they do not take on the character of formal research reports of the National Bureau, requiring formal Board approval.

7. Unless otherwise determined by the Board or exempted by the terms of paragraph 6, a copy of this resolution shall be printed in each National Bureau publication.

*(Resolution adopted October 25, 1926, as revised through September 30, 1974)*

---

# Contents

	Acknowledgments	ix
	<b>Overview</b>	1
	David A. Wise	
1.	<b>Aging, Moving, and Housing Wealth</b>	9
	Steven F. Venti and David A. Wise	
	<i>Comment: James M. Poterba</i>	
2.	<b>The Dynamics of Housing Demand by the Elderly: Wealth, Cash Flow, and Demographic Effects</b>	55
	Jonathan Feinstein and Daniel McFadden	
	<i>Comment: Yannis M. Ioannides</i>	
3.	<b>Housing Patterns and Mobility of the Aged: The United States and West Germany</b>	93
	Konrad Stahl	
	<i>Comment: Henry O. Pollakowski</i>	
4.	<b>Household Dissolution and the Choice of Alternative Living Arrangements among Elderly Americans</b>	119
	Axel Börsch-Supan	
	<i>Comment: John M. Quigley</i>	
5.	<b>How Much Care Do the Aged Receive from Their Children? A Bimodal Picture of Contact and Assistance</b>	151
	Laurence J. Kotlikoff and John N. Morris	

6.	<b>The Wealth and Poverty of Widows: Assets Before and After the Husband's Death</b> Michael D. Hurd and David A. Wise <i>Comment:</i> John B. Shoven	177
7.	<b>The Poverty of Widows: Future Prospects</b> Michael D. Hurd <i>Comment:</i> David E. Bloom	201
8.	<b>The Social Security Cost of Smoking</b> John B. Shoven, Jeffrey O. Sundberg, and John P. Bunker <i>Comment:</i> Paul Taubman	231
9.	<b>Long-Term Care, Wealth, and Health of the Disabled Elderly Living in the Community</b> Alan M. Garber	255
10.	<b>Employee Retirement and a Firm's Pension Plan</b> Laurence J. Kotlikoff and David A. Wise <i>Comment:</i> Ariel Pakes	279
11.	<b>The Timing of Retirement: A Comparison of Expectations and Realizations</b> B. Douglas Bernheim <i>Comment:</i> Edward P. Lazear	335
12.	<b>A Dynamic Programming Model of Retirement Behavior</b> John P. Rust <i>Comment:</i> Gary Burtless	359
	Contributors	405
	Author Index	407
	Subject Index	411

---

# Acknowledgments

This volume consists of papers presented at a conference held at the Bourbon Orleans Hotel, New Orleans, Louisiana, 19–21 March 1987. It is part of the National Bureau of Economic Research ongoing project on the economics of aging. The majority of the work reported here was sponsored by the United States Department of Health and Human Services, National Institute on Aging Grant Number AG05842. Additional support was provided by The Commonwealth Fund, The W.E. Upjohn Institute for Employment Research, and the National Science Foundation.

Any opinions expressed in this volume are those of the respective authors and do not necessarily reflect the views of the National Bureau of Economic Research or any of the sponsoring organizations.

*David A. Wise*

