Perspectives on the Economics of Aging
Perspectives on 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, and director of the NBER Program on Aging. Among the many titles he has edited in this area are the recent Themes in the Economics of Aging and Advances in the Economics of Aging.

The University of Chicago Press, Chicago 60637
The University of Chicago Press, Ltd., London
© 2004 by the National Bureau of Economic Research
All rights reserved. Published 2004
Printed in the United States of America
13 12 11 10 09 08 07 06 05 04 1 2 3 4 5
ISBN: 0-226-90305-2 (cloth)

Library of Congress Cataloging-in-Publication Data
Perspectives on the economics of aging / edited by David A. Wise.
   p. cm.—(A National Bureau of Economic Research Conference report)
   Includes bibliographical references and index.
HQ1064.U5P467 2004
332.024’0084’60973—dc22
2004041253

National Bureau of Economic Research

Officers

Michael H. Moskow, chairman
Elizabth E. Bailey, vice-chairman
Martin Feldstein, president and chief executive officer
Susan Colligan, vice president for administration and budget and corporate secretary

Robert Mednick, treasurer
Kelly Horak, controller and assistant corporate secretary
Gerardine Johnson, assistant corporate secretary

Directors at Large

Peter C. Aldrich, Jacob A. Frenkel, Michael H. Moskow
Elizabeth E. Bailey, Judith M. Gueron, Alicia H. Munnell
John H. Biggs, Robert S. Hamada, Rudolph A. Oswald
Andrew Brimmer, George Hatsopoulos, Robert T. Parry
John S. Clarkeson, Karen N. Horn, Richard N. Rosett
Don R. Conlan, Judy C. Lewent, Marina V. N. Whitman
George C. Eads, John Lipsky, Martin B. Zimmerman
Martin Feldstein, Laurence H. Meyer

Directors by University Appointment

George Akerlof, California, Berkeley
Jagdish Bhagwati, Columbia
Michael J. Brennan, California, Los Angeles
Glen G. Cain, Wisconsin
Franklin Fisher, Massachusetts Institute of Technology
Saul H. Hymans, Michigan
Marjorie B. McElroy, Duke

Joel Mokyr, Northwestern
Andrew Postlewaite, Pennsylvania
Uwe E. Reinhardt, Princeton
Nathan Rosenberg, Stanford
Craig Swan, Minnesota
David B. Yoffie, Harvard
Arnold Zellner, Chicago

Directors by Appointment of Other Organizations

Mark Drabenstott, American Agricultural Economics Association
Gail D. Fosler, The Conference Board
A. Ronald Gallant, American Statistical Association
Richard C. Green, American Finance Association
Robert Mednick, American Institute of Certified Public Accountants
Angelo Melino, Canadian Economics Association

Richard D. Rippe, National Association for Business Economics
John J. Siegfried, American Economic Association
David A. Smith, American Federation of Labor and Congress of Industrial Organizations
Josh S. Weston, Committee for Economic Development
Gavin Wright, Economic History Association

Directors Emeriti

Carl F. Christ
Lawrence R. Klein
Franklin A. Lindsay

Paul W. McCracken
Peter G. Peterson
Bert Seidman

Eli Shapiro
Relation of the Directors to the Work and Publications of the National Bureau of Economic Research

1. The object of the NBER is to ascertain and present to the economics profession, and to the public more generally, important economic facts and their interpretation in a scientific manner without policy recommendations. The Board of Directors is charged with the responsibility of ensuring that the work of the NBER is carried on in strict conformity with this object.

2. The President shall establish an internal review process to ensure that book manuscripts proposed for publication DO NOT contain policy recommendations. This shall apply both to the proceedings of conferences and to manuscripts by a single author or by one or more co-authors but shall not apply to authors of comments at NBER conferences who are not NBER affiliates.

3. No book manuscript reporting research shall be published by the NBER until the President has sent to 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 above principles of the NBER. Such notification will include a table of contents and an abstract or summary of the manuscript’s content, a list of contributors if applicable, and a response form for use by 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 and the main conclusions reached.

4. No volume shall be published until forty-five days have elapsed from the above notification of intention to publish it. During this period a copy shall be sent to any Director requesting it, and if any Director objects to publication on the grounds that the manuscript contains policy recommendations, the objection will be presented to the author(s) or editor(s). In case of dispute, all members of the Board shall be notified, and the President shall appoint an ad hoc committee of the Board to decide the matter; thirty days additional shall be granted for this purpose.

5. The President shall present annually to the Board a report describing the internal manuscript review process, any objections made by Directors before publication or by anyone after publication, any disputes about such matters, and how they were handled.

6. Publications of the NBER issued for informational purposes concerning the work of the Bureau, or issued to inform the public of the activities at the Bureau, including but not limited to the NBER Digest and Reporter, shall be consistent with the object stated in paragraph 1. They shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The Executive Committee of the Board is charged with the review of all such publications from time to time.

7. NBER working papers and manuscripts distributed on the Bureau’s web site are not deemed to be publications for the purpose of this resolution, but they shall be consistent with the object stated in paragraph 1. Working papers shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The NBER’s web site shall contain a similar disclaimer. The President shall establish an internal review process to ensure that the working papers and the web site do not contain policy recommendations, and shall report annually to the Board on this process and any concerns raised in connection with it.

8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.
Contents

Preface ix

Introduction 1
David A. Wise

1. The Transition to Personal Accounts and Increasing Retirement Wealth: Macro- and Microevidence 17
James M. Poterba, Steven F. Venti, and David A. Wise
Comment: Sylvester J. Schieber

2. For Better or for Worse: Default Effects and 401(k) Savings Behavior 81
James J. Choi, David Laibson, Brigitte C. Madrian, and Andrew Metrick
Comment: James M. Poterba

3. Aging and Housing Equity: Another Look 127
Steven F. Venti and David A. Wise
Comment: Jonathan Skinner

4. Intergenerational Transfers and Savings Behavior 181
Jeffrey R. Brown and Scott J. Weisbenner
Comment: Alan J. Auerbach

5. Wealth Portfolios in the United Kingdom and the United States 205
James Banks, Richard Blundell, and James P. Smith
Comment: John B. Shoven
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Author(s)</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Mortality, Income, and Income Inequality over Time in Britain and the United States</td>
<td>Angus Deaton and Christina Paxson</td>
<td>247</td>
</tr>
<tr>
<td></td>
<td>Comment: James Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment: Robert T. Jensen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Socioeconomic Status, Nutrition, and Health among the Elderly</td>
<td>Robert T. Jensen</td>
<td>313</td>
</tr>
<tr>
<td></td>
<td>Comment: David M. Cutler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Changes in the Age Distribution of Mortality over the Twentieth Century</td>
<td>David M. Cutler and Ellen Meara</td>
<td>333</td>
</tr>
<tr>
<td>10.</td>
<td>Area Differences in Utilization of Medical Care and Mortality among U.S. Elderly</td>
<td>Victor R. Fuchs, Mark McClellan, and Jonathan Skinner</td>
<td>367</td>
</tr>
<tr>
<td></td>
<td>Comment: Joseph P. Newhouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Healthy, Wealthy, and Wise? Tests for Direct Causal Paths between Health and Socioeconomic Status</td>
<td>Peter Adams, Michael D. Hurd, Daniel McFadden, Angela Merrill, and Tiago Ribeiro</td>
<td>415</td>
</tr>
<tr>
<td></td>
<td>Comment: James M. Poterba</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contributors 527
Author Index 531
Subject Index 535
This volume consists of papers presented at a conference held at Carefree, Arizona in May 2001. Most of the research was conducted as part of the Program on the Economics of Aging at the National Bureau of Economic Research. The majority of the work was sponsored by the U.S. Department of Health and Human Services, through National Institute on Aging grants P01-AG05842 and P30-AG12810 to the National Bureau of Economic Research. Any other funding sources are noted in individual papers.

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 the sponsoring organizations.