Horizontal Equity, Uncertainty, and Economic Well-Being
Martin David is professor of economics at the University of Wisconsin, Madison. Timothy Smeeding is director of the Division of Social Science Research and professor of economics at the University of Utah, Salt Lake City.
National Bureau of Economic Research

Officers
Franklin A. Lindsay, chairman
Richard Rosett, vice-chairman
Eli Shapiro, president
David G. Hartman, executive director and corporate secretary

Charles A. Walworth, treasurer
Sam Parker, director of finance and administration

Directors at Large
Moses Abramovitz
George T. Conklin, Jr.
Jean A. Crockett
Morton Ehrlich
Edward L. Ginzton
David L. Grove
Walter W. Heller
Saul B. Klaman
Franklin A. Lindsay
Roy E. Moor
Geoffrey H. Moore
Michael H. Moskow
James J. O'Leary
Peter G. Peterson
Robert V. Roosa
Richard N. Rosett
Bert Seidman
Eli Shapiro
Stephen Stamas
Lazare Teper
Donald S. Wasserman
Marina v.N. Whitman

Directors by University Appointment
Marcus Alexis, Northwestern
Albert Ando, Pennsylvania
Charles H. Berry, Princeton
James Duesenberry, Harvard
Ann F. Friedlaender, Massachusetts Institute of Technology
J. C. LaForce, California, Los Angeles
Paul McCracken, Michigan
James L. Pierce, California, Berkeley
Nathan Rosenberg, Stanford
James Simler, Minnesota
James Tobin, Yale
John Vernon, Duke
William S. Vickrey, Columbia
Burton A. Weisbrod, Wisconsin
Arnold Zellner, Chicago

Directors by Appointment of Other Organizations
Carl F. Christ, American Economic Association
Robert S. Hamada, American Finance Association
Gilbert Heebner, National Association of Business Economists
Robert C. Holland, Committee for Economic Development
Stephan F. Kaliski, Canadian Economics Association
Douglas C. North, Economic History Association
Rudolph A. Oswald, American Federation of Labor and Congress of Industrial Organizations
G. Edward Schuh, American Agricultural Economics Association
Albert Sommers, The Conference Board
Dudley Wallace, American Statistical Association
Charles A. Walworth, American Institute of Certified Public Accountants

Directors Emeriti
Arthur Burns
Emilio G. Collado
Solomon Fabricant
Frank Fetter
Thomas D. Flynn
Gotfried Haberler
George B. Roberts
Murray Shields
Boris Shishkin
Willard L. Thorp
Theodore O. Yntema

Since this volume is a record of conference proceedings, it has been exempted from the rules governing critical review of manuscripts by the Board of Directors of the National Bureau (resolution adopted 8 June 1948, as revised 21 November 1949 and 20 April 1968).
This Page Intentionally Left Blank
## Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prefatory Note</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>Acknowledgments</td>
<td>xi</td>
</tr>
<tr>
<td></td>
<td><strong>Introduction</strong></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Martin David and Timothy Smeeding</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td><strong>Happiness, Affluence, and Altruism in the Postwar Period</strong></td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Frank Levy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment: Lee Rainwater</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td><strong>The Impact of Changes in Income and Family Composition on Subjective Measures of Well-Being</strong></td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Arie Kapteyn, Sara van de Geer, and Huib van de Stadt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment: Harold W. Watts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Richard V. Burkhauser, J. S. Butler, and James T. Wilkinson</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment: Lee A. Lillard</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td><strong>Wealth, Realized Income, and the Measure of Well-Being</strong></td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>Eugene Steuerle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment: James D. Smith</td>
<td></td>
</tr>
</tbody>
</table>
   Michael D. Hurd and John B. Shoven
   Comment: Sheldon Danziger

   Marcus C. Berliant and Robert P. Strauss
   Comment: T. N. Srinivasan

7. Measuring the Benefits of Income Maintenance Programs
   David Betson and Jacques van der Gaag
   Comment: F. Thomas Juster

8. A Comparison of Measures of Horizontal Inequity
   Robert Plotnick
   Comment: Edward M. Gramlich

9. Rewards for Continued Work: The Economic Incentives for Postponing Retirement
   Olivia S. Mitchell and Gary S. Fields
   Comment: Joseph F. Quinn

10. Income, Inequality, and Uncertainty: Differences between the Disabled and Nondisabled
    Robert H. Haveman and Barbara L. Wolfe
    Comment: Dan Usher

11. Household Wealth and Health Insurance as Protection against Medical Risks
    Pamela J. Farley and Gail R. Wilensky
    Comment: Joseph P. Newhouse

12. The Valuation of Environmental Risks Using Hedonic Wage Models
    V. Kerry Smith and Carol C. S. Gilbert
    Comment: T. H. Tietenberg

13. Interfamily Transfers and Income Redistribution
    Donald Cox and Fredric Raines
    Comment: Paul L. Menchik
14. Economic Consequences of Marital Instability 427
   Greg J. Duncan and Saul D. Hoffman
   Comment: Isabel V. Sawhill

   Andrea H. Beller and John W. Graham
   Comment: Irwin Garfinkel

List of Contributors 511
Author Index 515
Subject Index 518
Prefatory Note

This volume contains the papers and discussion presented at the Conference on Horizontal Equity, Uncertainty, and Economic Well-Being held in Baltimore, Maryland, on 8 and 9 December 1983. Funds for the Conference on Research in Income and Wealth are provided to the National Bureau of Economic Research by the National Science Foundation; we are indebted for its support. We also thank Martin David and Timothy Smeeding, who served as cochairmen of the conference and editors of this volume, and the other members of the planning committee, John Bishop, Richard Burkhauser, James Morgan, James Smith, and Eugene Smolensky.

Executive Committee, December 1983
F. Thomas Juster, chairman
Orley Ashenfelter
Christopher Clague
Martin David
W. Erwin Diewert
Robert T. Michael
John R. Norsworthy
Eugene Smolensky
Helen Stone Tice
Robert J. Gordon, NBER representative
Zvi Griliches, NBER representative
Acknowledgments

The editors would like to acknowledge several individuals who were of particular help in conceptualizing and arranging the conference, and in editing the conference volume. First and foremost we would like to thank Eugene Smolensky of the University of Wisconsin whose many conversations and insights on the topic of measuring well-being proved so useful to our conceptualization of the conference. Also the members of the Executive Committee of the Conference on Research in Income and Wealth, particularly Jack Triplett and Tom Juster, who first suggested that we organize our conference and then defended its aims when questioned by “higher authorities.” At the National Bureau of Economic Research (NBER), Kathi Smith and Kirsten Foss provided excellent assistance in organizing the conference per se, under the general guidance of David Hartman, NBER’s executive director. Mark Fitz-Patrick and Annie Spillane provided excellent and timely editorial assistance for which we are most grateful. Harold Watts of Columbia University and Jean Crockett of the University of Pennsylvania helped turn the conference papers into the more polished volume which you are reading. Lest he go unnoticed, A. Myrick Freeman of Bowdoin College also provided a useful and detailed review of one of our papers. Our most cooperative and time conscious authors and discussants all helped solve the “who will be last” free-rider problem in record time, allowing the authors to collect a small bet from an earlier volume editor who was not so fortunate. Last, but certainly not least, we would like to thank Nancy Faidley Devine and her colleagues at Faidley’s Oyster Bar in the Lexington Market for the best hour of seafood congeniality that this, or any, conference will ever experience.
This Page Intentionally Left Blank