

Discussion of “Retirement Behavior in the US and Europe” [Bresser, Fonseca, and Michaud]

Robin L. Lumsdaine

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This paper

- Structural model of retirement pathways
- Cross country analysis allows for different incentive effects
- Challenging undertaking
- Nice, thorough, well-explained model
- Thoughtful decisions (tax estimates, etc)
- Potential policy simulations

Initial thoughts

- Definitions differ across countries (e.g., “pension”, “health”)
- Some institutional rules differ by gender (currently only consider men)
- Simplifications are necessary (e.g., spousal benefits in US)
- Some results are curious
- Are results dominated by US?
- More to be done (future papers)

Health

- “Around 90% of each of the samples is in good health”...seems high
- “Good health” defined *in paper* as a response of 1 or 2 to SAH question (more on next slide)
- Modeled as autoregressive logit (future health depends on current health and age)

Self-assessed health

- “*Would you say your health is:*”

US-version

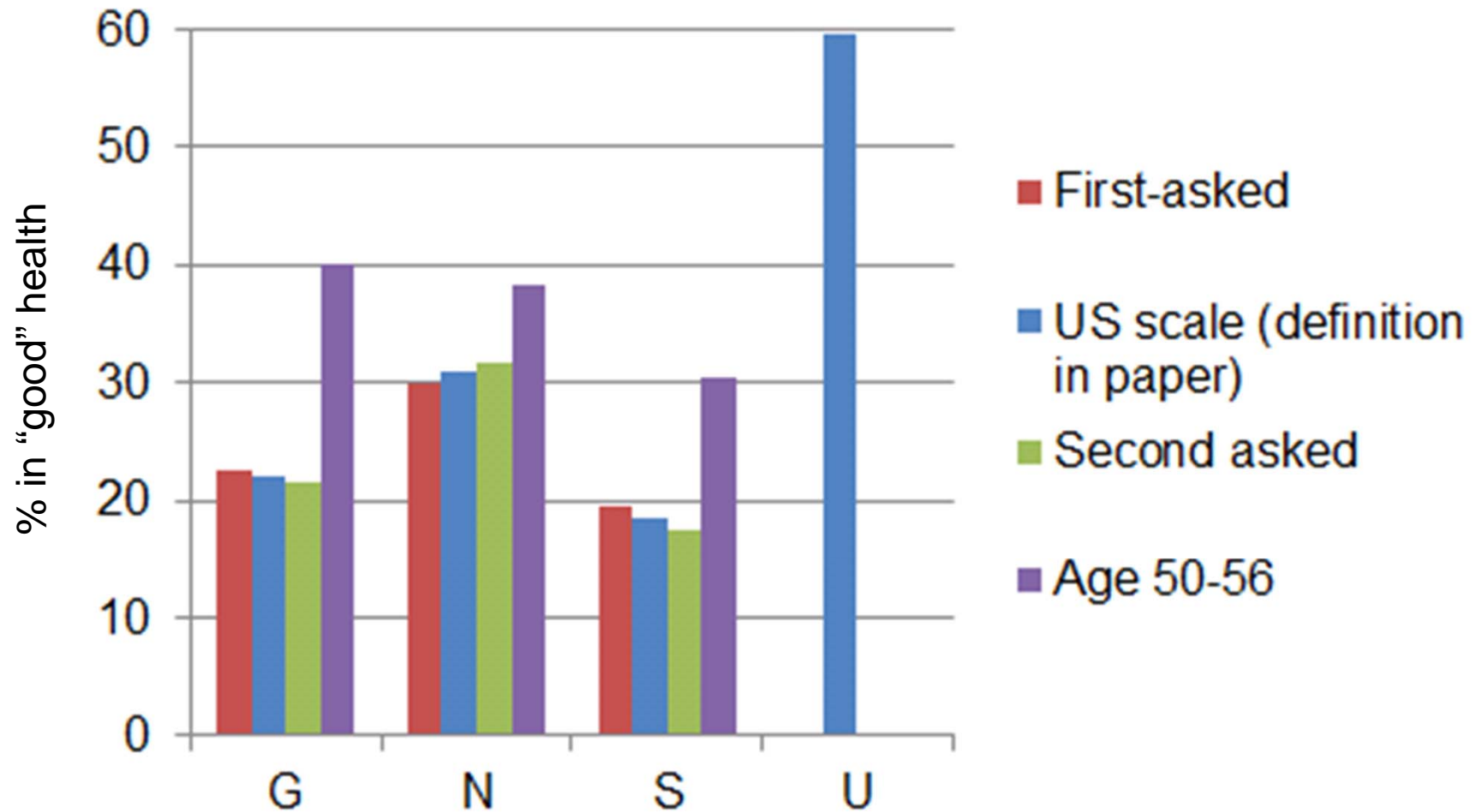
1. Excellent
2. Very good
3. Good
4. Fair
5. Poor

WHO-version

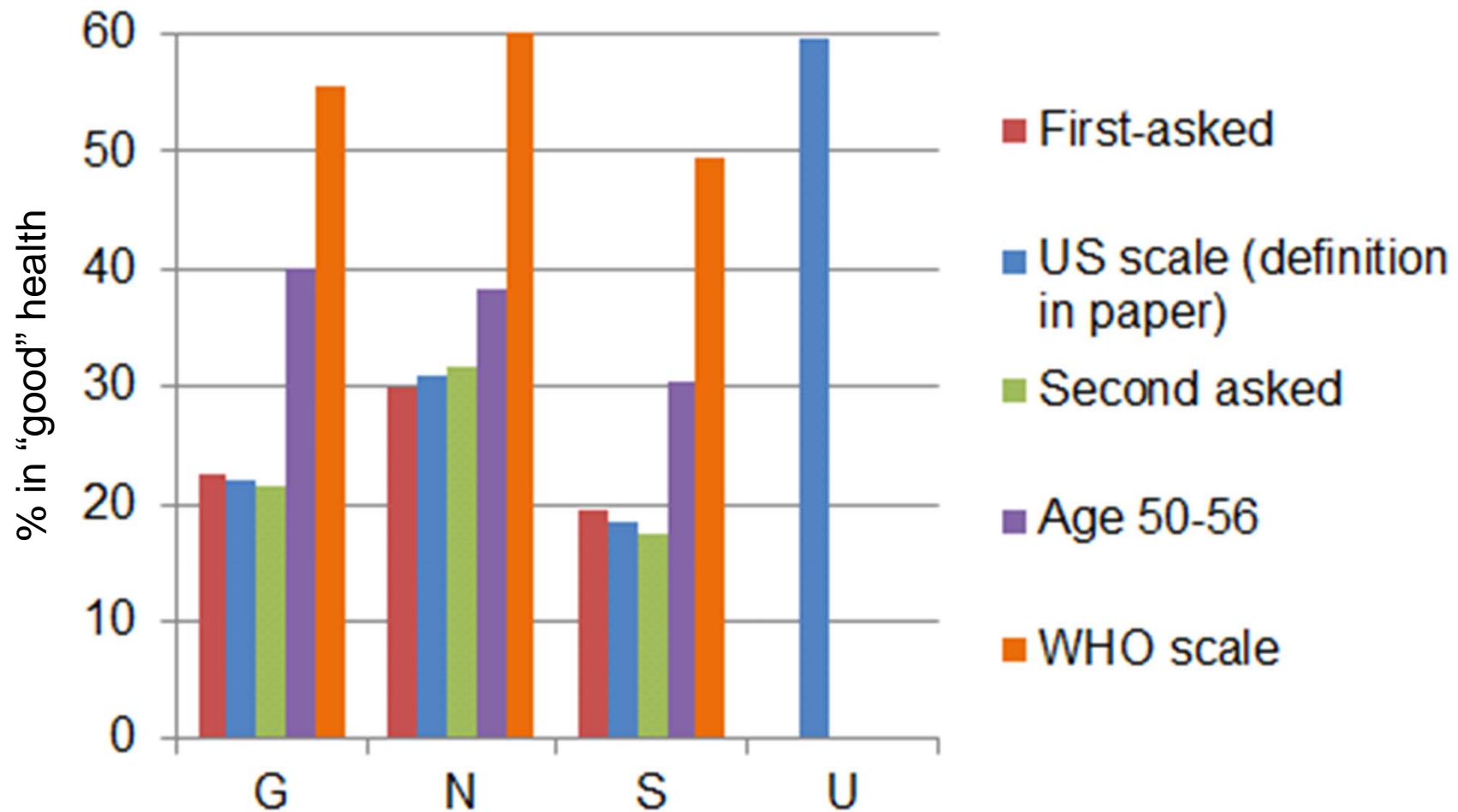
1. Very good
2. Good
3. Fair
4. Bad
4. Very bad

- In SHARE, order chosen by random assignment, administered at very beginning and very end of the health section of the survey
- Exact wording of two questions differs according to interview language and cultural differences
- Note that a *lower* number means “healthier”

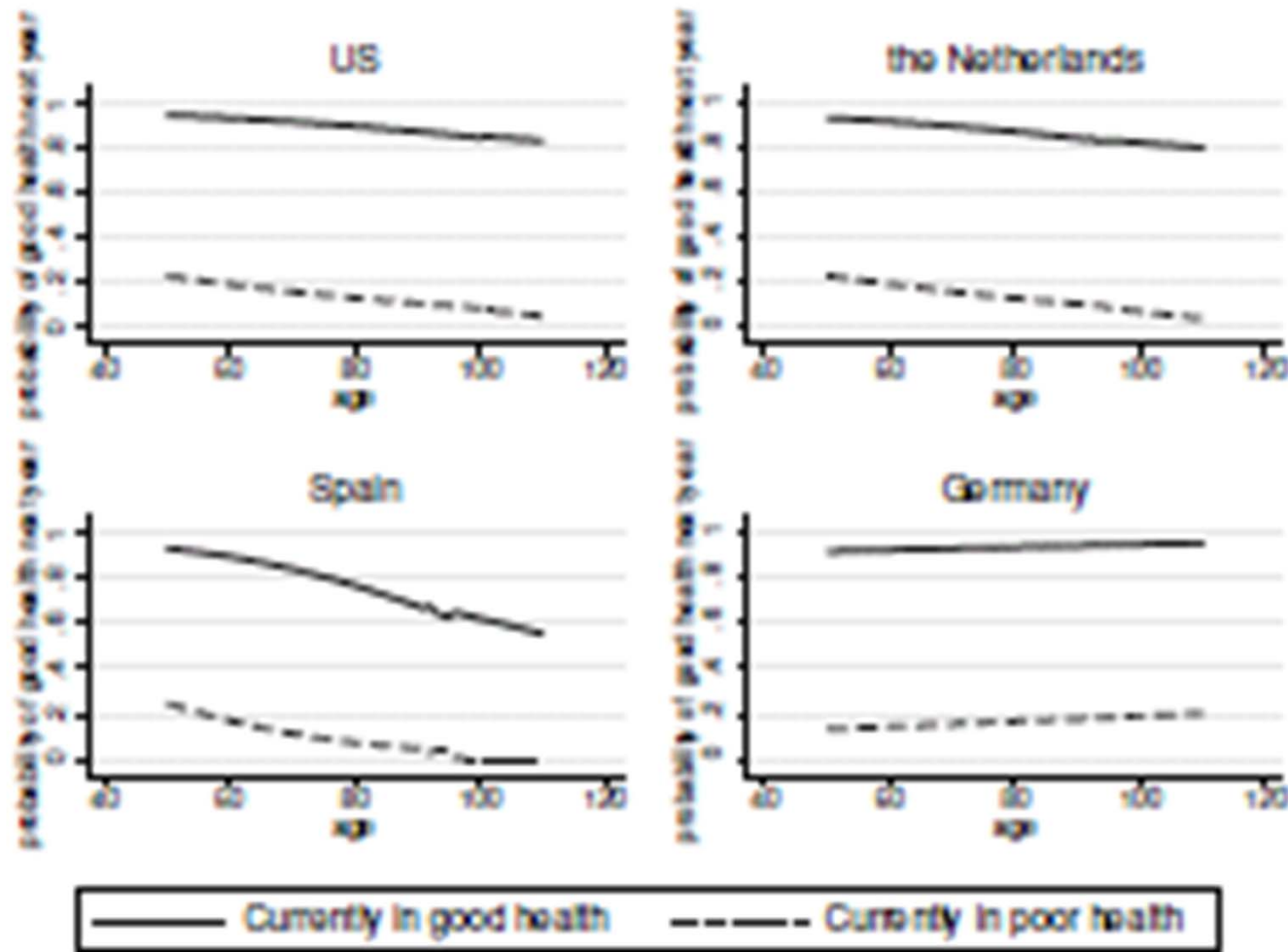
Distributions vary



Distributions vary



Health improves in Germany?



Combined HRS/SHARE Sample

- Male
- Estimate health, mortality, out-of-pocket medical, equivalence using ages 50-110
- Restrictions based on characteristics of first interview
- Drop those older than 56, not working, self-employed
- In Germany, drop civil servants
- HRS: 1992-2010, SHARE: 2004-2011

Sample (continued)

- Are results too dominated by US?

	Germany	Netherlands	Spain	United States
# individuals	488	1,432	1,219	7,727
# observations	839	2,348	1,729	37,833

- Other curiosities:
 - 71% of US workers are entitled to DB private pensions
 - US sample size
 - Model fit is worst for Germany – is this related to improving health estimates?

What I wanted to know / other thoughts

- Interpretation of preference parameters (e.g., “Dutch place a higher value on smoothing utility...estimates are close to 5.0 [versus 4.55]”)
- Estimated discount factors of between 0.5 and 0.99 (PRELIMINARY)
- Standard errors around simulations (esp. given different sample sizes)?
- Estimate joint model without Germany?

“If Europe had been inhabited by Americans...

- Only applies *US preference parameters* to European sample – endogeneity of institutional/initial conditions
- Health and other underlying profiles differ (e.g., family size)
- Balance sample
- 2012 exchange rate used for currency conversions

A few more thoughts

- Thorough, complex structural model but still many important simplifications
- Battery of robustness checks needed (appendix), for example, in US:
 - Tax assumptions (kink points, Michigan (4.2%) and Detroit (2.75%).
 - Disability (one year wait, random selection)?
 - Moment conditions use potential rather than actual sample (set contributions with missing data to zero) – does proportion missing vary by country?
- All in all, very interesting paper

Thank you!
