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

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January 30, 2015
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**  **WHO-version**
  1. Excellent        1. Very good
  2. Very good       2. Good
  3. Good           3. Fair
  4. Fair          4. Bad
  5. Poor           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

% in “good” health

First-asked
US scale (definition in paper)
Second asked
Age 50-56
Distributions vary

% in “good” health

- First-asked
- US scale (definition in paper)
- Second asked
- Age 50-56
- WHO scale
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
Sample (continued)

• Are results too dominated by US?

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Netherlands</th>
<th>Spain</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td># individuals</td>
<td>488</td>
<td>1,432</td>
<td>1,219</td>
<td>7,727</td>
</tr>
<tr>
<td># observations</td>
<td>839</td>
<td>2,348</td>
<td>1,729</td>
<td>37,833</td>
</tr>
</tbody>
</table>

• 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!