How Do Subjective Consumption Vectors Vary with Age?

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If well-being varies with age, why?

• Age trends are a persistent finding
  • U-shaped for life satisfaction and some emotional/hedonic/affective measures (e.g., Blanchflower & Oswald, 2004, 2008, 2017; Stone, Schwartz, Broderick, & Deaton, 2010)
  • Increasing for some emotional measures (e.g., Stone, Schwartz, Broderick, & Deaton, 2010; Carstensen et al., 2011)

• Some explanations involve more optimization
  • Time horizon piece of socioemotional selectivity theory – e.g., Carstensen, Fung & Charles, 2003
  • “Time crunch” theory (suggested by Steptoe, Deaton, & Stone, 2015)

• Some explanations involve less
  • Emotional regulation piece of socioemotional selectivity theory
  • Unmet aspirations (e.g., Schwandt, 2016)

• Optimizing theories predict co-movement in subjective consumption vector
Empirical strategy

• $U = f($types of subjective consumption: *aspects of well-being*)
  • 2,187 aspects (anything people care about)

• New survey (MTurk)
  • Rating aspect levels on 0-100 scale
  • Calibration questions for scale-use adjustment

• Today: pilot data (N=996) on 1,846 aspects
Example rating question

Thinking about the past year, how would you rate...

*Your health*

the lowest you can imagine

0 10 20 30 40 50 60 70 80 90 100

extremely low

the highest you can imagine

Move the slider to set your rating
Empirical strategy (continued)

• Multi-dimensional approach offers...
  • Breadth to test for age trends
  • Depth to explore potential mechanisms
  • Stylized facts to help build/refine theories

• Caveats
  • Preliminary
  • Categorization a first pass
  • Cohort effects (e.g., Blanchflower & Oswald, 2008)
  • Sample selection (Heffetz & Rabin, 2013)

• A key “stylized fact” so far: co-movement in subjective consumption vectors
Results (scale-use adjusted): Men (N=390)
Results (scale-use adjusted): Women (N=606)
Optimizing theories generate co-movement from substitution possibilities and diminishing returns

• Market good consumption
  • Substitution possibilities: budget constraint
  • Budget constraint (after saving) + preferences $\rightarrow$ consumption vector
  • Typically assumes normality, predicts co-movement
    • Normality from “strong enough” diminishing marginal utility

• Subjective good consumption from household production
  • Life capital vector $K$
  • Exogenous factors $Z$
  • Substitution possibilities: consumption/investment ($C/I$) possibility frontier
  • Consumption possibility frontier($I,K,Z$) + preferences $\rightarrow$ consumption vector

• Why co-movement in consumption?
  • Normality (diminishing MP as well as diminishing MU)
  • Co-movement in capital vector (diminishing returns again)
Back to theories of life-cycle WB movement

• Optimizing theories
  • Exogenous factors can generate exceptions to co-movement
    • Evidence? Women: Society and Relationships-Family
  • Time horizon theory
    • Longer time horizon $\rightarrow$ invest more
    • Evidence? Both: Some increases but Resources not decreasing
  • Time crunch theory
    • Age-specific investment opportunities $\rightarrow$ U-shape with long trough
    • Evidence? Men: Pleasure decreasing, then start of U-shape

• Theories with less optimization
  • Emotional regulation
    • Evidence? Women: Meaning strictly increasing
  • Unmet aspirations
    • Evidence? Resources-Objective flat
Discussion

• Current evidence keeps many theories in the running
  • Time horizon
  • Time crunch
  • Unmet aspirations

• Future research directions
  • Testing time crunch theory
    • Effect of kids
    • Careers with time-sensitive investment
  • Why/how does life-capital vector get depleted in middle age?

Thank you!
Selected citations: