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Expenditures of Older Americans

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Throughout the twentieth century there has been a significant demographic shift in the population composition characterized by the increasing proportion of the elderly groups (age 65 and over) and coupled with a remarkable expansion of their active life span. In 1996, the American elderly population was estimated at 34 million, revealing more than tenfold increase from only 3 million in 1900. Such a growth rate has certainly surpassed the growth rate of the entire population, especially the nonelderly section which has witnessed a threefold increase, from 73 million in 1900 to 218 million in 1996. The elderly male at age 65 was expected in 1900 to live an average of 11.3 more years while the female at the same age was expected to live 12 more years. In the 1992 estimations, the life expectancy of the male and female at age 65 increases to 15.4 and 18.9 more years respectively. These demographic changes regarding the elderly groups are more likely to continue as well as to be more apparent and probably more complicated in the twenty-first century. It has been projected that by the end of the first quarter of the next century, the elderly Americans will constitute about 20 percent of the population in the United States totaling 69 million (U.S. Bureau of the Census, 1994;1997).

This issue and the more general issues of the economics of aging have been of special interest to the authors of this book for a relatively long time. Professor Rose Rubin of Economics at the University of Memphis, and Professor Michael Nieswiadomy of Economics at the University of North Texas wrote this book to provide what they described "substantive contributions that will materially inform researchers, students, decision makers, service providers, and others concerned about aging in the United States". The authors delivered what they promised. Their book contained informative and smoothly flowing material. Further, it was written in a broadly based approach that truly made the book readable and accessible to more than the four groups of potential readers identified in the authors' statement about their book.

A demographic change of this magnitude implies further related changes and adjustments in the economic, social, and political institutions of the society, therefore, presenting different challenges to the core of these institutions such as the market system, families, and government. The challenge to market system is to be prepared to deal with a structurally altered consumption guided by different allocation of time and income. The growing population of the elderly comes with a package characterized by a relatively higher discretionary income; more time and higher inclination for leisure activities; higher level of home ownership, therefore, substantially lower level of mortgage debt; higher income as a result of household duality in earning, pension benefits and retirement saving. All may result in a distinct consumption pattern skewed toward health care, security, recreation and special services. Recognizing and utilizing the potential market opportunities available due to these changes is another challenge facing business owners and managers. While the challenge for families is to raise up to the level of meeting the financial, psychological and social needs of their elderly, policymakers are to work diligently to provide protection and insure a necessary level of harmony among the different systems in their pursuit to serve and support the elderly. Relevant to this, the book, with a marginal level of theoretical treatment, was dedicated almost entirely to the empirical realities of the issues related to the elderly. The bulk of the material in this book is the product of three research grants the authors and their colleagues received between 1990 and 1994 from the American Association of Retired Persons-Andrus Foundation. Although the book presents some new and original materials, the majority of data analysis and discussion reported in four out of its seven chapter is actually a compilation of previously published studies by the authors and their colleagues in refereed economics, social science, and gerontology journals.

The authors intended to make this book a text to fill the need of a reference source that comprehensively analyzes the economics of older households in the United States by emphasizing their expenditure patterns as indicators of their lifestyles and quality of life. Toward this goal, and to highlight the diversity among the elderly households and the socioeconomic status of older people,

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four major research tasks were performed: 1) a comparison of the expenditure patterns of elderly households with nonelderly households over time; 2) a comparison of the expenditure patterns of retired elderly with nonretired elderly household; 3) a comparison of expenditures of the elderly poor households on necessities such as food, housing, and health care with the expenditures of other groups; and 4) a comparison of expenditures of the elderly on healthcare with the same expenditures by other groups.

The book is divided into seven chapters in addition to a preface, an index, and an extensive bibliography.Chapter 1 serves as a broad introduction to the topic of population aging and the change in the expenditures associated with growing older. This introduction also describes the rationale, objectives and organization of the study as well as a brief description of the U.S. Bureau of Labor Statistics Consumer Expenditures Survey which has been utilized as the database for the empirical part of the study. In addition to these usual components of the introduction, the author inserted a very brief overview of Consumer Expenditure Theory. In one page, a reader (whom I assume has a plausible interest in this topic) is left to face only a glimpse of the Life Cycle Hypothesis (Ando & Modigiliani, 1963), and the Permanent Income Hypothesis (Friedman, 1957) in addition to hints of the Positional Goods Hypothesis (Frank, 1985) and the Precautionary Motive Hypothesis (Deaton, 1992). With this short and casual inclusion of what was supposed to be one of the essential components of such a study, the authors, in my view, jeopardize a valuable opportunity to serve their readers by rushing what could have been a solid theoretical base to this study. I would have been much happier to see a major chapter dedicated to such a rich and important theoretical background.

Chapter 2, Characteristics of Older Americans, shed a lot of light on the homogeneity myth of the elderly population as a single segment and the simple and inadequate characterizations and stereotypes steming from the assumption of the homogeneity of this group. Across time line of past, present and future, the chapter provided explanations of the significant variations among the elderly in terms of their economic status including income and wealth, employment, labor force participation and saving behavior; marital status and family composition; mobility; and quality of life across gender, race, and age categories. These socioeconomic characteristics were used by the authors in the empirical part of the study as explanatory variables to assess the variations in the elderly expenditures on food, clothing, housing, transportation, health care, entertainment, and other spending categories.

The following four chapters of this book, Chapter 3 through Chapter 6 form the thrust of the empirical work on the expenditure patterns of the elderly done by the authors and their colleagues. The material is a summarized and synthesized version based on a modified compilation of several studies that have already been published in the *Journal of Gerontology*, the *Journal of Applied Gerontology*, *Social Science Quarterly*, and *Monthly Labor Review* between 1993 and 1996. Chapter 3, Changes in Expenditure Patterns, provided a detailed and comparative analysis of retired households and tracked down changes in their expenditure patterns and economic status from the early 1970s to the mid-1980s. The analysis included three different types of retired and working households, married couple, single male, and single female. These households were compared based on age and income level. Major expenditures, income, savings, and taxes were analyzed to determine the relative changes in the household decision making and its economic status while other expenditures such as health care, leisure activities, goods and services of necessity, and goods and services of philanthropy were used to examine the changes in the lifestyle of the retired households. Several independent variables such as age, family type, education, income, and wealth were used in a Tobit regression to estimate their effects on the selected expenditures of retired households. The choice of the time period of the early 1970s to mid-1980s was based, according to the authors, on the substantial growth both of the elderly population and of the general economy of that period taken into consideration the relatively high inflation rates that accompanied that growth.

Chapter 4, The Effect of Retirement on Expenditures, focused on the economic changes that occur to the households upon entry into retirement. The changes in household income and income sources, expenditure patterns, savings, and taxes of retired household were analyzed. The authors divided their analysis here into two parts. First, they analyzed the changes in the economic status of married couples, single males, and single females who are over age 50 and retired during the survey year. They compared their consumption patterns between the periods immediately preceding and following their retirement in both major consumption categories as well as specific key categories such as health care, leisure activities, and travel. Second, they compared the economic status of retired to working households over age 50 by the same three types of household categories and same types of expenditures.

Chapter 5 entitled The Vulnerable Elderly covered poverty demographics, the distribution of income, and the expenditure patterns of the economically vulnerable elderly. In addition to the discussion of the special economic vulnerability of older women, the authors compared expenditures on necessities by the elderly receiving cash assistance (welfare and/or social security income) to those not receiving such assistance and also to those who are not economically vulnerable. The authors further analyzed changes in expenditures on necessities by the elderly households as compared to the nonelderly households over the decade of the 1980s.

Chapter 6, Health Expenditures, addressed the out-of-pocket health care and health insurance expenditures as the elderly population was compared to the nonelderly over time. Medigap insurance and its effects on health expenditures were further analyzed. A helpful approach in this chapter was the authors' emphasis on the impact of public and private third-party payments on the elderly's out-of-pocket health care spending.

In the seventh and last chapter of the book, Trends and the Future, the authors summarized their findings and concluded an overview of trends in the expenditures and lifestyle changes of older Americans as well as provided a plausible perspective on the anticipated lifestyle and economic security of the elderly population into the twenty-first century. Most notable here is the authors' analysis of the financial security of the elderly females and the projected impact of the elderly population on households activities, on business activities, and on public policy.

It is worthwhile to mention that using the Consumer Expenditure Survey as a database for all studies in this book somewhat reduced the generalizability of the findings. Although the Consumer Expenditure Survey uses a national sample and intricate procedure, all the representative households are of the civilian noninstitutional population. The studies, therefore, excluded all the elderly who were residing in nursing homes and other institutional settings as well as those elderly who were not householders at the time of survey.

Despite the minor shortcomings, this book meritoriously stands as a major contribution to the fundamental references in the field of family and consumer studies. It can definitely serve as an essential source of information in courses such as economics and sociology of aging and gerontology. However, using this book as a text in such courses necessitates adopting a second conventional text to complement the minimum coverage of the theoretical materials. The empirical methodology and style dominating the heart of the material makes this book more accessible and appreciated by graduate students and researchers compared to juniors and seniors of the undergraduate division. In addition to its contribution to academia, this book renders a significant service to political strategists, decision makers, and service providers for its direct impact on the comprehension of public policy issues such as the financial viability of Social Security, reducing federal budget deficits, health care, welfare and other intergenerational transfer policies.

