Household Finance and Life-Cycle Economic Decisions under the Shadow of Cancer

Dániel Kárpáti (Tilburg)

Discussion - Luís Teles Morais - Nova SBE

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What this paper does

The question: how does learning about health/mortality risks affect households' saving and investment decisions?

The strategy:

- Granular data on individuals who undergo genetic testing for a hereditary condition that increases highly the risk of cancer
- Matched with admin data on household income, wealth and portfolios => long panel
- Natural experiment. Event study of household decisions and outcomes *before and after testing*:
  - Comparing households with positive and negative results

What this paper does

The results:

- Positive-tested $\downarrow$ accumulated wealth (assets) in years following test
  - $\downarrow \approx$ 1.25y of income, on avg. over the next 15 years, compared to negatives
- Main channels appear to be:
  - $\downarrow$ labor income (supply?);
  - $\downarrow$ saving rate;
  - $\downarrow$ risky portfolio share
- Household composition differences also have some impact: + less likely to form/hold partnerships
- Part of the impact may come from opposite sign effects of a *negative* result
  - Based on additional matching exercise to compare with general (untested) population

Very nice to read!

Well motivated

- Big question, touching on something often taken as given (in standard life cycle models):
  - How well do people actually incorporate life expectancy, in the sense of mortality risk, in their economic and financial decisions?
  - Can advances in healthcare, and in the sophistication of people's perceptions of their own health, have an economic impact?

Cool data

- Almost perfect natural experiment
- Details are finely ground and strongly backed in the corresponding medical reality (and literature)

Question 1: Life cycle profile of wealth accumulation?

What is the life cycle profile of wealth accumulation in this data?

- Main result -- lower wealth accumulation -- should be interpreted in a life cycle sense?
- Impact of the health risk news on saving in the short and longer run will vary depending on what stage of the life cycle the news arrive
  - In addition, evidence of history dependence in health shocks (like de Nardi et al 2017): so effects of early life shocks possibly larger
- **Rel. year x age FEs should mostly control for such life cycle effects**: so is not an issue of robustness but of interpretation. Maybe show values for those FEs?

Question 1: Life cycle profile of wealth accumulation?

Maybe report in some way the impact on wealth accumulation conditional on age?

- Results in euro amounts are good to give a sense of the magnitudes but hard to interpret given life cycle
- Given amazing panel data, maybe:
  - Split in age group subsamples? (as done for income)
  - Run with relative metrics of income (e.g. relative to first wage for the young subsample)
- Especially important given that "positives" are generally younger

- Results change a lot w/ winsorization? Why?

Table A1: Effects of testing positive on financial assets, robustness

	(1) Baseline	(2) F.e.	(3) (1,99.5)	(4) (1,95)	(5) Log
DiD	-57058***	-60347**	-97925*	-19266**	-.43**
	(20839)	(28574)	(54745)	(9040)	(.21)

- Parallel trends assumption - mentioned in text, maybe show?

Question 2

What is the overall impact of being part of a LS-positive family?

similar to that of the general population. Families affected by Lynch syndrome are most often painfully aware of their family history of cancer, as illustrated by the following testimony:

> *"I grew up surrounded by cancer. My grandma, two aunties and one great uncle all died from cancer when I was a girl. Then it was my mum's turn. Cancer. Again. More dreadful treatment but still the same sad outcome. My brother, sister and I become adults, expecting the worst."*

- Very good for measuring effect here, but maybe not for external validity?
- The people registered in the DHCR, differ from the general population in that they are much more alert and affected by cancer risks due to family history
- Psychosocial costs of that could make this group of people differ systematically? risk aversion; labor and time preferences; human capital; family wealth; etc.
  - Maybe show descriptives comparing to general population?

Question 3

Just labor supply?

- Effects on *labor* impact on labor income and likelihood of entrepreneurship
- Interpretation: labor supply decision. Result on entrepreneurship and on intensive vs. extensive margins help in that direction
- Could there be an effect on labor productivity too? i.e. workers become less productive and find it harder to keep or maintain good jobs?
- Given yearly data this might not show up in your "extensive margin" variable which is just having a job during the year. Maybe dataset has no. of jobs within the year?

Great paper, fun to read :)

Thanks!