Comments on “Does Lower Socio-Economic Status Make You Sick? A Two-Period Life Cycle Setting and Evidence from Turkey”

Onur Altindag*

*The Graduate Center, City University of New York

EAF-TUSIAD Conference on Education, Health and Worker Productivity
October 17, 2015
Contributions:

1. Descriptive Analysis: Trends in self-reported health (dichotomous indicator) and age by employment type and status, and quartiles of income and education.

2. Theoretical: Two-period life cycle model à la Grossman (1972). Health capital is both a consumption and an investment good ⇒
   - increases in response to increases in demand for medical care inputs, income, and education.
   - decreases in response to increases in age and working hours.

3. Empirical investigation of the relationship between SES (Education, HH income per capita, employment, and occupation) and health. Identification strategy: Method of instrumental variables.
Contributions:

1. Descriptive Analysis: Trends in self-reported health (dichotomous indicator) and age by employment type and status, and quartiles of income and education.

2. Theoretical: Two-period life cycle model à la Grossman (1972). Health capital is both a consumption and an investment good ⇒
   - increases in response to increases in demand for medical care inputs, income, and education.
   - decreases in response to increases in age and working hours.

3. Empirical investigation of the relationship between SES (Education, HH income per capita, employment, and occupation) and health. Identification strategy: Method of instrumental variables.
Contributions:

1. Descriptive Analysis: Trends in self-reported health (dichotomous indicator) and age by employment type and status, and quartiles of income and education.

2. Theoretical: Two-period life cycle model à la Grossman (1972). Health capital is both a consumption and an investment good ⇒
   - increases in response to increases in demand for medical care inputs, income, and education.
   - decreases in response to increases in age and working hours.

3. Empirical investigation of the relationship between SES (Education, HH income per capita, employment, and occupation) and health. Identification strategy: Method of instrumental variables.
- Cumulative advantage of better income drives the widening gap until middle age brackets.

- Age becomes an increasingly more important determinant of health after middle age.

- Potential issues:
  - Selective mortality
  - Cohort effects
• Cumulative advantage of better income drives the widening gap until middle age brackets.

• Age becomes an increasingly more important determinant of health after middle age.

• Potential issues:
  • Selective mortality
  • Cohort effects
Cumulative advantage of better income drives the widening gap until middle age brackets.

Age becomes an increasingly more important determinant of health after middle age.

Potential issues:
1. Selective mortality
2. Cohort effects
Cumulative advantage of better income drives the widening gap until middle age brackets.

Age becomes an increasingly more important determinant of health after middle age.

Potential issues:

1. Selective mortality
2. Cohort effects
Cumulative advantage of better income drives the widening gap until middle age brackets.

Age becomes an increasingly more important determinant of health after middle age.

Potential issues:
1. Selective mortality
2. Cohort effects
Regression Framework (IV):

Second stage:

\[ H_i = \beta_0 + \beta_1 Edu_i + \beta_2 Inc_i + \beta_3 Emp_i + X_i' \Gamma + \epsilon_i \]  \hspace{1cm} (1)

- Endogenous variables: Income and Employment
- Instruments: Regional unemployment rates, work experience, spousal education.

Potential issues to address:

- Education is the most important correlate of good health, but might involve reverse causality and "omitted third variables" (Grossman, 2015).
- Are the instruments truly exogenous?
- Durbin-Wu-Hausmann tests for the exogeneity of the SES variables and not the instruments. If the instruments are not valid, the Hausman test is not valid either.
Regression Framework (IV):

Second stage:

\[ H_i = \beta_0 + \beta_1 \text{Educ}_i + \beta_2 \text{Inc}_i + \beta_3 \text{Emp}_i + X_i'\Gamma + \epsilon_i \]  \hspace{1cm} (1)

- Endogenous variables: Income and Employment
- Instruments: Regional unemployment rates, work experience, spousal education.

Potential issues to address:

- Education is the most important correlate of good health, but might involve reverse causality and "omitted third variables" (Grossman, 2015).
- Are the instruments truly exogenous?
- Durbin-Wu-Hausmann tests for the exogeneity of the SES variables and not the instruments. If the instruments are not valid, the Hausman test is not valid either.
Regression Framework (IV):
Second stage:

\[ H_i = \beta_0 + \beta_1 \text{Educ}_i + \beta_2 \text{Inc}_i + \beta_3 \text{Emp}_i + X_i' \Gamma + \epsilon_i \]  

Endogenous variables: Income and Employment
Instruments: Regional unemployment rates, work experience, spousal education.

Potential issues to address:
- Education is the most important correlate of good health, but might involve reverse causality and “omitted third variables” (Grossman, 2015).
- Are the instruments truly exogenous?
- Durbin-Wu-Hausmann tests for the exogeneity of the SES variables and not the instruments. If the instruments are not valid, the Hausman test is not valid either.