

Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989-2001

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Introduction

The sustainability of, and tradeoffs involved in government expenditures for the elderly has become increasingly topical in recent years. An adequate examination of policy options has to be based on a sound assessment of the economic well-being of the elderly. The most widely used measure of economic well-being in considering the gaps in economic well-being between elderly and non-elderly households, and the deprivation of the elderly is gross money income. However, as several studies have pointed out, noncash transfers (e.g. Medicare) and wealth play a crucial role in shaping the economic well-being of the elderly. Noncash transfers, crucial for well-being and making up at least 40 percent of government transfer payments, are excluded from the official measure of gross money income.

The economic advantage from wealth ownership is reckoned in the money income measure as actual property income (dividends, rent and interest). A more complete measure of income from wealth has to take into account the advantages of home ownership (either in the form of imputed rental cost or annuity on home equity) and the long-run benefits from the ownership of non-home wealth (e.g. in the form of an imputed annuity). By means of such a comprehensive measure, policymakers gain better insights into the relative importance of different resources in sustaining the economic well-being of the elderly and forces shaping inequality among the elderly.

Government expenditure and taxes are known to have an equalizing effect on economic well-being between the elderly and nonelderly. The extent of the gap between the two groups is sensitive to the types of expenditures and taxes that are taken into account as well as the income concept used to reckon economic well-being. The recently developed Levy Institute Measure of Economic Well-being (LIMEW) and its associated micro-datasets offer a comprehensive view of the level and distribution of economic well-being in the U.S. during the period 1989-2001. The main components of the LIMEW are earnings, pensions, income from wealth, transfers, public consumption, taxes and household production. This paper will examine, using the database developed for the LIMEW, the disparities between the elderly and non-elderly, the structure of inequality among the elderly, and the extent to which government spending on the elderly has an

equalizing effect on the overall distribution of economic well-being. The relative importance of different sources of income in sustaining the living standards of the elderly will be studied. The results from the analysis will be compared with the Census Bureau's measure of gross money income and "experimental" measures.

In this paper we first describe the methodology and data sources for the LIMEW (Section 2). Next, we turn to estimates of the measure for both non-elderly and elderly households in the United States and for households in some key demographic groups among the elderly population. In Section 4, we discuss economic inequality among the elderly and the nonelderly. We also compare our findings based on the LIMEW with those based on the official measures in Sections 3 and 4. The final section contains our concluding observations.

Components of the LIMEW

The LIMEW is constructed as the sum of the following components (see Table 1): base income; income from wealth; net government expenditures (transfers and public consumption, net of taxes); and household production. Our basic data is drawn from the public-use version of the files used by the Census Bureau to estimate official measures of well-being. The calculation of base income (see below) uses values reported in the Census files for the relevant variables, without any adjustment. Additional information from Federal Reserve surveys on household wealth and surveys on time-use are incorporated into the Census files via statistical matching to estimate income from wealth and value of household production. Information from a variety of other sources, including the National Income and Product Accounts and several government agencies is utilized to arrive at the final set of estimates.¹

¹ For details regarding the data sources and methods used to estimate these components, see Wolff, Zacharias and Caner (2004).

Table 1: A Comparison of the LIMEW and Extended Income (EI)

LIMEW	EI
Money income (MI)	Money income (MI)
<i>Less:</i> Property income and Government cash transfers	<i>Less:</i> Property income and Government cash transfers
<i>Plus:</i> Employer contributions for health insurance	<i>Plus:</i> Employer contributions for health insurance
<i>Equals:</i> Base income	<i>Equals:</i> Base income
<i>Plus:</i> Income from wealth	<i>Plus:</i> Income from wealth
Annuity from nonhome wealth	Property income and realized capital gains (losses)
Imputed rent on owner-occupied housing	Imputed return on home equity
<i>Less:</i> Taxes	<i>Less:</i> Taxes
Income taxes ¹	Income taxes
Payroll taxes ¹	Payroll taxes
Property taxes ¹	Property taxes
Consumption taxes	
<i>Plus:</i> Cash transfers ¹	<i>Plus:</i> Cash transfers
<i>Plus:</i> Noncash transfers ^{1,2}	<i>Plus:</i> Noncash transfers
<i>Plus:</i> Public consumption	
<i>Plus:</i> Household production	
<i>Equals:</i> LIMEW	<i>Equals:</i> EI

Note: (1) The amounts estimated by the Census Bureau and used in EI are modified to make the aggregates consistent with the NIPA estimates. (2) The government-cost approach is used: the Census Bureau uses the fungible value method for valuing Medicare and Medicaid in EI. The main difference between the two methods is that, while the fungible value method assigns an income value for a benefit according to the recipient's level of income, the government-cost approach assigns an income value for a benefit irrespective of the recipient's income.

We begin with money income and subtract the sum of property-type income (interest, dividends, and rents) and government cash transfers (e.g., Social Security benefits). We then add employer contributions to health insurance to obtain base income. Labor income (earnings plus value of employer-provided health insurance) makes up the overwhelming portion of base income and the remainder consists of pensions and other small items, such as interpersonal transfers and workers' compensation paid by the private sector. Base income is identical in amount and concept in both the LIMEW and EI.

Our next step is to add imputed income from wealth. In the official gross money income measure, property-type income consists of the actual receipts of interest,

dividends, and rent. From our perspective, the actual, annual property income is an incomplete measure of the economic well-being derived from the ownership of assets. Real assets, such as houses, typically last for several years and yield services to their owners, thereby freeing up resources otherwise spent on housing. Financial assets in the form of bank and nonbank balances, and accumulated balances in private welfare and social insurance funds, can, under normal conditions, be sources of economic security in addition to property-type income.

Our approach to the valuation of income from wealth is different from the methods suggested in the literature (e.g. Weisbrod and Hansen 1968) in two significant ways. First, we distinguish between home and nonhome wealth. Housing is a universal need and home ownership frees the owner from the obligation of paying rent, leaving an equivalent amount of resources for consumption and asset accumulation. Hence, benefits from owner-occupied housing are reckoned in terms of the replacement cost of the services derived from it (i.e., a rental equivalent).² Second, we estimate the benefits from nonhome wealth using a variant of the standard lifetime annuity method.³ We calculate an annuity based on a given amount of wealth, an interest rate, and life expectancy. The annuity is the same for the remaining life of the wealth holder and the terminal wealth is zero. (In the case of households with multiple adults, we use the maximum of the life expectancy of the head of household and spouse in the annuity formula.) We modify the standard procedure by accounting for differences in portfolio composition across households. Instead of using a single interest rate for all assets, we use a weighted average of asset-specific and historic real rates of return,⁴ where the weights are the proportions of the different assets in a household's total wealth.

In the next step we add net government expenditures—the difference between government expenditures incurred on behalf of households and taxes paid by households. Our approach to determine expenditures and taxes may be called the social accounting approach (Hicks 1946, Lakin 2002, pp. 43–46).

² This is consistent with the approach adopted in most national income accounts.

³ Our rationale for employing this method is that it is a better indicator of the resources available to the wealth holder on a sustainable basis over the expected lifetime compared to the bond-coupon method.

⁴ The rate of return used in our procedure is real total return (the sum of the change in capital value and income from the asset, adjusted for inflation). For example, for stocks, total real return would be the inflation-adjusted sum of the change in stock prices plus dividend yields.

Government expenditures included in the LIMEW consist of cash transfers, noncash transfers, and public consumption. These expenditures, in general, are derived from the National Income and Product Accounts (NIPA Tables 3.12 and 3.15). Government cash transfers are considered to be, in their entirety, part of the money income of recipients. Our approach to the valuation of noncash transfers involves the appropriate average cost incurred by the government (e.g., in the case of medical benefits, the average cost for the elderly differs from that for children). The other type of government expenditure that we include in our measure of well-being is some public expenditures (“public consumption”). When allocating these expenditures to the household sector, we attempt to follow, as much as possible, the general criterion that a particular expenditure must be incurred directly on behalf of that sector and expands its consumption possibilities. In distributing expenditures among households, we build on earlier studies that employ the government-cost approach (e.g., Ruggles and Higgins 1981).

The final step in constructing net government expenditures is concerned with taxes. Our objective is to determine the distribution of actual tax payments by households in different income and demographic groups in an accounting sense rather than incidence in a theoretical sense. We align the aggregate taxes in the ASEC (imputed by the Census Bureau) with their NIPA counterparts, as for expenditures. The bulk of the taxes paid by households falls in this group—federal and state personal income taxes, property taxes on owner-occupied housing, and payroll taxes (employee portion). Our estimated total tax burden on households also includes state consumption taxes, which were not aligned with a NIPA counterpart because an appropriate NIPA benchmark was not available. Taxes on corporate profits, on business-owned property, and on other businesses, as well as nontaxes, were not allocated to the household sector because we assumed that they were paid out of business sector incomes.

Ultimately, to arrive at the LIMEW, we add the imputed value of household production. Three broad categories of unpaid activities are usually included in the definition of household production: (1) core production activities, such as cooking and cleaning; (2) distribution activities, such as shopping for groceries and for clothing; and (3) childcare activities, such as caring for babies and reading to children. These activities

are considered as “production”, since they can be assigned, generally, to third parties apart from the person who performs them, although third parties are *not* always a substitute of the person, especially for the third activity.⁵

Our strategy for imputing the value of household production is to value the amount of time spent by individuals on household production using the replacement cost based on average earnings of domestic servants or household employees (Kuznets, et al 1941, pp. 432–433; Landefeld and McCulla 2000). We recognize that the efficiency and quality of household production are likely to vary across households. Therefore, we modify the replacement-cost procedure and apply to the average replacement cost a discount or premium that depends on how the individual (whose time is being valued) ranks in terms of a performance index. The index seeks to capture certain key factors (household income, educational attainment, and time availability) that affect efficiency and quality differentials.

Level and Composition of Well-being among the Elderly and Non-Elderly

We begin with some basic demographic information on the composition of the population by age and other demographic characteristics. We first define the “elderly” as those individuals age 65 and over. Our basic unit of analysis is the household. We define an “elderly household” as those in which the “householder” is age 65 or over and a “non-elderly” household as those in which the householder is under the age of 65. As shown in Table 2, the share of elderly individuals classified in elderly households as declined somewhat between 1989 and 2001, from 93.1 to 90.3 percent. Still, the share of elderly individuals in the population as remained relatively constant over this period, ranging from 10.7 to 10.9 percent. However, there has been an increase in the proportion of the total population age 75 or over, from 4.2 to 5.0 percent.

In terms of the demographic composition of elderly households, there have been some moderate changes over the 1989-2001 period (see Table 3). The share of non-Hispanic whites in this group declined from 86.9 to 84.2 percent, and this was offset by a 0.6 percentage point increase in the share of African-Americans, a 1.0 percentage point

⁵ The third-party principle is sometimes ambiguous in the case of such personal care activities as shaving (see Organization for Economic Co-operation and Development 1995: 11).

increase in the share of Asians and other races, and a 1.4 percentage point gain in the share of Hispanics. The share of married couples among the elderly fell from 44.1 to 42.7 percent, and this was offset mainly by a 2.1 percentage point increase in the share of single males. There was very little change in the distribution of elderly households by (overall) income quintiles, with roughly 40 percent of the elderly households located in the bottom quintile.

It is also of note that demographic changes among the elderly tend to mirror those of the non-elderly. In particular, there was a relative decline in the proportion of non-Hispanic whites and a corresponding rise in the other racial/ethnic groups. There was also a decline in the share of married couples among the non-elderly and a rise in the share of single males (as well as single females). As a result, comparisons of elderly with non-elderly households over this period will not be too biased by differences in demographic changes within the two groups.

We next look at changes in the relative well-being of elderly households according to the standard CPS measure of gross money income. It is first of note that both the mean and median money income of elderly households was quite low relative to non-elderly ones (see Table 4). In 2001, the ratio of mean income was 0.55 and that of median income was only 0.47. According to this measure, there was also a decline in the mean income of elderly households relative to non-elderly ones, from 0.59 in 1989 to 0.55 in 2001. Most of the decline took place after 1995. The difference is even more dramatic in terms of growth rates. While the mean income of non-elderly household gained 14.8 percent over the period, that of elderly ones advanced by only 6.0 percent. On the other hand, the ratio of median income was relatively stable over the 1990s, remaining at about 0.47.

Elderly and non-elderly households differ substantially in terms of size and composition. Such differences are taken into account in comparisons of economic well-being usually by adjusting the measure of well-being by some equivalence scale.⁶ As

⁶ There is no agreement among economists as to which equivalence scale is the “best”, so we use the three-parameter scale employed by the Census Bureau in constructing their experimental measures of poverty (Short 1991). The reference household (i.e., the household for which the scale is equal to 1) in this instance is a household with two adults and two children.

shown in Table 4A, the adjustment shows a smaller gap between the elderly and the non-elderly households: in 2001, the ratio of elderly mean income to non-elderly was 0.68 and that of median income was 0.62. However, the relative income of the elderly was lower in 2001 than 1989 by both adjusted and unadjusted measures suggesting that the trend in the disparity is not affected by the equivalence scale adjustment.

There are also some notable differences in the level and growth in money income within the elderly group. Both the mean and median income of the 75 and over age group averaged about two thirds that of age group 65 to 74.⁷ The mean income of the older group grew somewhat slower than that of the younger age group but the former's median income grew quite a bit faster (10.9 versus 4.7 percent). As a result, the median income of the 75 and over age group crept up from 64 to 68 percent of age group 65-74.

Among the elderly, the group consisting mainly of Asians (Asian or other race) had the highest mean income in 2001, 17 percent above the overall average among elderly households, followed by non-Hispanic whites at 3 percent above average, Hispanics at 76 percent of average, and African Americans at 74 percent of average. (Results for median incomes are quite similar). Both mean and median income grew fastest among African-American households (over 20 percent) between 1989 and 2001. Growth in mean and median income among non-Hispanic white households was very moderate (5.9 and 3.0 percent, respectively), while income declined among Asian and other races and among Hispanics.

The apparent advantage of Asians diminishes dramatically when equivalence scale adjustment is made and they seem to have a mean level of income that is comparable to non-Hispanic whites. Median adjusted income of the Asian elderly is consistently lower than that of the average elderly household—a gap that widens over time. This is in sharp contrast to the median value of the unadjusted income measure that shows the relative advantage of the Asian elderly falling over time to reach parity in 2001 with the average elderly household. It is also noteworthy that the relative disadvantage of African Americans and Hispanics appears to be larger when adjusted income is used.

⁷ In terms of equivalence scale adjusted income, the older group had three fourths of the younger group's income.

This is particularly notable for Hispanics. The Hispanic-to-average ratio of mean values was 0.76 in 2001 before adjustment; after the equivalence scale adjustment the ratio falls to 0.66.

Elderly married couple households had the highest income among the elderly (a mean income 42 percent above the overall elderly average), followed by single male households (87 percent of average), and single females (only 63 percent of average). The growth in income was fastest among single male households and second fastest among married couples, while it stagnated among single female households. The growth of money income was faster among the top two income quintiles (particularly the top) than among the bottom three quintiles, reflecting rising inequality among the elderly (see below).

The disparities based on sex and marital status appear to be lower when income is adjusted by the equivalence scale, but the rank order remains the same as before. On the average, single female-headed households have about 74 to 79 percent and single male-headed households about 96 to 108 percent of the overall elderly adjusted income. Elderly married couple households are ahead of the average elderly household by about 25 percent in terms of adjusted income.

We next show that the constituent components of LIMEW. The first of these, base income, excludes both transfers and property income (see Table 5). Not surprisingly, the ratio of base income between elderly and non-elderly households was only 0.27 in 2001, much lower than the ratio of gross money income. There was virtually no change in this ratio between 1989 and 2001. Not surprisingly, the ratio of base income between age group 75 and over and age group 65-74 was much lower than that of gross money income (0.45 versus 0.68 in 2001) but this ratio increased over the period, from 0.40 to 0.45.

The rank order by racial/ethnic group in base income was the same as for gross money income but the mean base income of the Asian and other race group was much greater than average than mean gross money income in 2001 (a ratio of 1.39 versus 1.17). As with money income, positive gains in base income over the 1989-2001 period were found for non-Hispanic whites and African-Americans and losses for Asians and other

racers as well as Hispanics. Married couples again ranked highest in base money income, followed by single males and then single females.

The second component is income from home wealth, defined as the difference between imputed rent and the annuitized value of mortgage debt (see Table 6). Differences in the value of income from home wealth between groups reflect three factors: (i) the homeownership rate, (ii) mean home value, and (iii) the value of outstanding mortgage debt. In 2001, the mean income from home wealth was much higher among the elderly than the non-elderly – a ratio of 1.81 – largely reflecting the higher homeownership rate of the elderly (81 percent versus 65 percent). The ratio climbed very sharply over the 1989-2001 period, from 1.43 to 1.81. Indeed, mean income from home wealth actually declined by 7.6 percent among then non-elderly over the period.

Mean income from home wealth was 51 percent greater among the 65-64 age group than among those 75 and over, again reflecting the higher homeownership rate of the former group (83 versus 78 percent). Income from homes also grew faster among the younger group. Among the elderly, income from home wealth was much higher (2.3 times as great) among non-Hispanic whites than all other racial and ethnic groups.⁸ Income from home wealth surged by 22 percent over the 1989-2001 period for non-Hispanic whites but declined by 16 percent for non-whites. As a result, the ratio of income from home wealth between the two groups widened from 1.6 to 2.3.

Income from home wealth was more than twice as great among married couples as among single females or single males. However, in this case, the highest growth was recorded among single males. Not surprisingly, mean income from home wealth rises with income class. However, the ratio of mean income from wealth between the top and bottom quintile is much less than the ratio of mean money income (a ratio of 4.2 versus 12.5, respectively).

The disparity in income from non-home wealth between elderly and non-elderly households is even greater than that in income from home wealth (see Table 7). In 2001,

⁸ Because income from home wealth and the remaining components of LIMEW are imputed on the basis of a statistical matching algorithm, we show results only for the non-white group as a whole.

the ratio was 3.37 between elderly and non-elderly households, about the same as in 1989. The ratio in actual wealth between elderly and non-elderly households is actually smaller, a ratio of 1.68 in 2001. The reason why the annuity ratio is higher than the ratio of actual nonhome wealth is due to the fact that elderly persons have a shorter (conditional) life expectancy than non-elderly individuals.⁹ Mean income from nonhome wealth among the elderly climbed by an incredible 77 percent over the 1990s, a reflection largely of the surging stock market of the late 1990s.¹⁰ The ratio of mean income from nonhome wealth between the 65-74 age group and the 75 and over age group was much closer than that between income from home wealth (a ratio of 1.22 compared to one of 1.51 in 2001). The gap between the two groups, however, rose over the 1989-2001 period (from a ratio of 1.13 to 1.22).

Among the elderly, the much higher ratio of income from nonhome wealth between non-Hispanic whites versus all other racial and ethnic groups was about the same as income from home wealth (2.3 in 2001). The ratio was about the same in 1989 as in 2001. Income from nonhome wealth was somewhat greater among married couples than among single males in 2001 and both were much greater than that among single females. As with income from home wealth, the highest growth was again found among single males. Moreover, as with income from home wealth, mean income from home wealth rises with income class. In this case, the ratio of mean income from wealth between the top and bottom quintile is much greater than the ratio of mean money income or the ratio of income from home wealth (a ratio of 34.4, compared to 12.5 and 4.2, respectively). The difference reflects the much greater concentration of financial wealth than that of income or house values.

Disparities in cash transfers between the elderly and non-elderly dwarf even the differences in income from nonhome wealth (see Table 8). In 2001, the ratio of mean cash transfers between the two groups was 5.6, slightly lower than in 1989. Mean cash transfers among the elderly grew by 11.5 percent over the period, somewhat slower than base income. Mean cash transfers were about the same among the over 75 age group as

⁹ The annual annuity flow is distributed over the remaining lifetime of an individual so that the full value of nonhome wealth is exhausted at time of death.

¹⁰ Actually, the increase between 1989 and 2000 was even greater, followed by a 14 percent decline from 2000 to 2001, a reflection of sagging stock prices over this year.

among the 65-74 age group and they grew at about the same rate over the 1989-2001 period. Mean cash transfers among non-Hispanic white households was 25 percent greater than among other racial and ethnic groups in 2001, about the same ratio as in total money income. Mean cash transfers were greatest among married couples (29 percent above the overall elderly mean) and in a virtual tie among single male and single female households (about 80 percent of the elderly average). Disparities in mean cash transfers by income quintile are much less pronounced than total money income (a ratio of 1.96 between the top and bottom quintiles in 2001 compared to a ratio of 12.5 for total money income) but in this case cash transfers grew much faster at the top than at the bottom between 1989 and 2001 (a percentage gain of 30.8 compared to 5.4).

Disparities in noncash transfers between the elderly and non-elderly are smaller than those in cash transfers (a ratio of 3.6 versus 5.6 between the former and latter in 2001) and about the same order of magnitude as income from nonhome wealth (a ratio of 3.4 in 2001). However, in this case, the ratio of mean noncash transfers between the elderly and non-elderly declined from 4.5 in 1989 to 3.6 in 2001 (Table see 9). Still, mean noncash transfers among the elderly increased by 50 percent between 1989 and 2001.

There is virtually no difference in mean noncash transfers between the very old (age 75 and over) and the younger old (ages 65 to 74), though they did grow a little faster for the latter than the former between 1989 and 2001. Mean noncash transfers are greater for non-whites than whites (23 percent larger in 2001) but they grew slightly faster for whites over the period. Mean noncash transfers are greater for married couples than for single males or females, a difference that mainly reflects the difference in the number of the elderly in the household. There are virtually no differences in mean noncash transfers by income quintiles.

Public consumption is much higher among the non-elderly than the elderly (a ratio of 2.9 in 2001), and has grown faster for the former (a 17.3 percent increase from 1989 to 2001 compared to a 7.1 percent increase). These disparities largely reflect the huge role educational expenditures play in public consumption (see Table 10). Mean public consumption was 32 percent greater for the younger than the older elderly in 2001,

and the percentage growth was twice as great for the former over the 1989-2001 period. It was also 49 percent greater for non-white than white households among the elderly but in this case grew faster among white households. Here, too, the mean value was greatest among married couples and grew fastest for this group as well. As with cash government transfers, the value of public consumption increased with income but the disparity in public consumption by income quintiles was relatively small (a ratio of 2.1 between the top and bottom quintiles in 2001, compared to a ratio of 12.5 for total money income) but public consumption advanced much more at the top than at the bottom between 1989 and 2001 (a percentage gain of 16.8 compared to -0.7).

On the other hand, taxes are much greater for the non-elderly (see Table 11). In 2001, the ratio of mean taxes paid between the elderly and non-elderly was only 0.38. In fact, this ratio dipped from 0.42 in 1989 to 0.38 in 2001. Average taxes grew by 26 percent for the non-elderly over this period, compared to 16.5 percent for elderly households. The averages taxes paid by age group 75 and over was less than half that paid by age group 65 to 74 in 2001, down from a ratio of 0.58 in 1989. Average taxes rose by 28.1 percent for the younger elderly, compared to only 8.1 percent for the older elderly. White elderly families paid, on average, 31 percent more taxes than non-white elderly households in 2001. In this case, taxes grew faster for the latter (27.6 percent from 1989 to 2001) than the former (16.2 percent). Elderly married couples paid two-thirds more in taxes than elderly single males and almost triple that paid by elderly single females. Taxes grew faster among single males (30.4 percent) than among married couples (21.4 percent) but were virtually unchanged among single females. The disparity in taxes paid was huge by income quintile (a ratio of 40 between the top and bottom quintile in 2001). Taxes grew much faster for higher income groups than lower ones, and the differences were quite large (23.7 percent for the top quintiles versus 3.4 percent for the bottom quintile).

As a result of differences in transfers received, public consumption, and taxes paid, the elderly were a net *beneficiary* of the government fiscal system (see Table 12). In 2001, their net benefit (government expenditures) amounted to \$22,200. In contrast, the non-elderly were net losers. Their net government expenditures averaged -\$4,500 in 2001. The difference between the elderly and non-elderly was \$26,600 in 2001. Average

net government spending increased by 24 percent between 1989 and 2001 for the elderly, and the net government *loss* rose by 32 percent for the non-elderly. As a result, the difference between the two groups widened over the 1990s, from \$21,400 to \$26,600.

The older elderly enjoyed higher net government expenditures than the younger elderly (18 percent more in 2001), and net government spending grew faster for the former than the latter (24.5 versus 20.6 percent). Non-white elderly households also enjoyed a higher level of net government expenditures than elderly white households (13 percent greater in 2001), but in this case net spending grew faster for whites than non-whites (24.7 versus 16.0 percent). Elderly married households were also ahead of single elderly households (between 30 and 43 percent) but gains over the 1989-2001 period were stronger for married couples and single females than single males. Net government expenditures were positive for the bottom four income quintiles (the benefits received outweighed the taxes paid) but negative for the bottom quintile, reflecting their relatively high tax burden. The highest level of net government expenditures was enjoyed by the second and third quintiles, followed by the bottom quintile and then the fourth quintile. The highest (positive) growth was recorded by the fourth quintile, followed successively by the third, second, and bottom quintiles. Net government spending also became somewhat more negative for the top income quintile. As a result, the spread in net spending between the bottom and top quintiles expanded from \$32,700 to \$37,100.

Table 13 shows the composition of net government expenditures for both non-elderly and elderly households. The value of total government transfers (cash and noncash) and that of total public consumption were very close—the latter was 4 percent higher in 1989 and 5 percent lower in 2001 than the former. Social security comprised 47 percent of total (cash and noncash) transfers in 1989 but only 41 percent in 2001. This was offset by a rise in the share of Medicare from 20 to 23 percent over this period and an even larger increase in the share of Medicaid from 10 to 17 percent. Cash transfers as a group fell from 65 to 55 percent of total transfers, while noncash transfers rose from 35 to 45 percent.

Among the elderly, total transfers were six times as great as public consumption in 1989 and seven times as great in 2001. Cash transfers made up 67 percent of total transfers in 1989 but fell to 60 percent in 2001. Social security accounted for almost all of

the cash transfers among the elderly but its share of total transfers declined from 62 to 52 percent between 1989 and 2001. Medicaid and Medicare made up almost all of the noncash transfers among the elderly. The former increased by 114 percent and the latter by 42 percent between 1989 and 2001. By 2001, Medicaid accounted for 6 percent of total transfers to the elderly, up from 4 percent in 1989, and Medicare for 33 percent, up from 29 percent. It is of interest that among the non-elderly, the biggest component of total transfers in 2001 was Medicaid (30 percent), followed by social security (22 percent) and Medicare (11 percent).

Education is by far the largest component of public consumption, comprising 54 percent in 2001—up from 51 percent in 1989. The next largest items in 2001 were public health and hospitals (10 percent), highways (9 percent) and police and fire departments (6 percent). While total public consumption rose by 17 percent between 1989 and 2001, expenditures for police and fire departments grew by a notable 40 percent and education increased by a more modest 23 percent. The remaining components of public consumption rose at below average rates: a paltry growth of 5 percent for public health and hospitals, and 15 percent for highways. If we consider both transfers and public consumption jointly, then education still ranks first in 2001, at 26 percent of government spending, followed by health spending (including Medicare, Medicaid, and public health and hospitals) at 25 percent (up from 21 percent in 1989), and then social security, at 21 percent (down from 23 percent in 1989).

Public consumption was almost three times as great for non-elderly households as for elderly ones. This is due to the major role played by education in public consumption. Among the elderly, the largest three components of public consumption were education, public health and hospitals, and highways, ranging between 16 and 18 percent of total public consumption of the elderly.

The largest component of the taxes paid by households and individuals are federal income taxes. They comprised 54 percent of total taxes in 2001, up from 51 percent in 1989. The second largest component is payroll taxes (employee portion only), which fell from 22 percent to 20 percent in 2001. State income taxes accounted for another 11 percent in both years, state consumption taxes another 9 to 10 percent, and property taxes between 5 and 7 percent. Among the elderly, the largest tax was also the federal income

tax, which accounted for about half of total taxes in 1989 and 2001, followed by consumption (16 percent in both years), and property taxes (16 percent in 1989 and 13 percent in 2001).

The last component of LIMEW is the value of household production (see Table 14). Disparities in household production between the elderly and non-elderly are quite small. The ratio of mean household production between the elderly and non-elderly was 0.90 in 2001, down from 0.95 in 1989, and the ratio of median values was 0.95 in 2001, down from 0.99 in 1989. Because the value of household production depends on both hours of work and the hourly replacement cost, we also provide estimates of weekly hours in Table 14A. The disparity in weekly hours is somewhat larger than the disparity in the value of household production (except for mean values in 1989). Given our method of valuation, this result can be explained by the fact that the hourly replacement cost is higher for the elderly than for the nonelderly. In turn, the higher replacement cost for the elderly is due to the higher value for the composite performance index that we use to adjust the hourly wage of private household employees. The higher time-availability for the elderly more than compensates for their lower levels of money income and educational attainment.

Household production of the age group 75 and over was in the range of 74 to 79 percent that of age group 65 to 74. This may largely reflect the smaller average family size of the older group. Replacement cost for the older group is also lower, a result of lower levels of money income and educational attainment. Mean household production was greater for whites than non-whites (15 percent larger in 2001), as was median household production (31 percent greater in 2001). Yet, in this case the disparity in weekly hours displays the opposite pattern, thus suggesting that the higher replacement cost for whites due to their higher levels of income and educational attainment was the decisive factor behind their higher value of household production. Both mean and median household production is about two and half times as great for married couples as single females and three to five times as great as for single males, a difference that partly reflects differences in household size and partly the higher replacement cost as the disparities in weekly hours are somewhat smaller.

There are rather large differences in the value of household production by income quintiles. The ratio of mean household production between the top and bottom quintiles was 3.2 in 2001 and the ratio of medians was 3.5. Still, the differences are much smaller than in terms of mean income by income quintile (the ratio in mean income between the top and bottom quintiles was 12.5 in 2001). Not surprisingly, the disparities in hours are much smaller. The ratio of mean weekly hours between the top and bottom quintiles was 1.8 in 2001 and the ratio of medians was 2.0.¹¹

In Table 15, we put together all the components of LIMEW to obtain the overall measure. It is at once apparent that the elderly now look much better off according to this broader measure of economic well-being. In 2001, the ratio in mean LIMEW between elderly and non-elderly households was 1.09, in comparison to a ratio of in terms 0.55 of standard money income. The ratio of median values in 2001 was 0.85, still much higher than the 0.47 of median money income.

When the equivalence scale is applied, the well-being of the elderly measured by LIMEW again seems much better off (see Table 15A). In 2001, the ratio of elderly mean value of LIMEW to non-elderly was 1.41, which is much higher than the corresponding ratio (0.68) of adjusted standard money income. In median term, the ratio of elderly to nonelderly is 1.13, compared to 0.62 of adjusted money income case. However, the relative mean value of the elderly was higher in 2001 than 1989 by both adjusted and unadjusted measures, which suggests that the trend in the disparity is not affected by this adjustment.

The reason for these differences is the much higher value of income from wealth and net government expenditures for the elderly than the non-elderly. As shown in Table 16, in 2001, base income was much lower for the elderly than the non-elderly (a ratio 0.27). However, income from wealth was much higher for the elderly (a ratio of 3.1). In fact, 46.2 percent of the value of LIMEW for the elderly was income from wealth (41 percent from nonhome wealth and 5 percent from home wealth), compared to 16.4 percent for the non-elderly. Net government expenditures were positive for the elderly

¹¹ The performance index used in the valuation of household production includes the standard score of income rather than the level of income itself. Inevitably, therefore, the disparity in the value of household production will be lower than the disparity in mean income across quintiles.

(\$22,100) and made up 19.4 percent of the value of LIMEW, whereas they were negative (-\$4,500) for the non-elderly. The biggest difference was in taxes paid. The mean tax burden of the non-elderly was 2.6 times as great as that of the elderly. Elderly households received 5.6 times as much in the form of cash transfers and 3.6 times as much in the form of noncash transfers as the non-elderly. On the other hand, public consumption was 2.9 times as high for the non-elderly as the non-elderly. Household production was also slightly higher for the non-elderly than the elderly (a ratio of 1.11) and made up 22 percent of LIMEW for the former and only 18 percent for the latter.

LIMEW also grew much faster for the elderly than the non-elderly over the 1989-2001 period. Mean LIMEW increased by 35 percent for the elderly, compared to 20 percent for the non-elderly, while median LIMEW advanced by 22 percent for the former and 10 percent for the latter. In contrast, growth rates of standard money income were actually greater for the non-elderly than the elderly over this period (14.9 versus 6.0 percent for mean values and 4.3 versus 3.3 percent for median values). As a result, the ratio of mean LIMEW between elderly and non-elderly households *increased* from 0.96 in 1989 to 1.09 in 2001 and the ratio of median LIMEW from 0.77 to 0.85, while the ratio of mean money income *declined* from 0.59 to 0.55 and the ratio of median money income remained steady at 0.47. The main reason for the positive growth in the ratio of LIMEW (in comparison to the negative change in the ratio of money income) is the phenomenal increase in income from nonhome wealth of 77 percent over the period. Income from wealth also climbed as a share of total LIMEW for the elderly from 31 percent in 1989 to 41 percent in 2001. A secondary reason is the widening gap in net government expenditures between the elderly and the non-elderly, from \$21,400 to \$26,700.

Mean LIMEW remained 26 to 27 percent higher for age group 65 to 74 than age group 75 and over from 1989 to 2001, while the ratio of median LIMEW between the two age groups increased from 1.31 to 1.37 over the period. The ratio of mean LIMEW between non-whites and whites was 72 percent in 2001, compared to a ratio of money income of 0.79, while the ratio of median LIMEW was 0.80, compared to ratio of median money income of 0.73. The fact that the two ratios are relatively close is due to the effects of three sets of offsetting factors. First, income from nonhome wealth was much higher for whites than non-whites in 2001 – a ratio of 2.25 – as was income from home

wealth – a ratio of 2.32. Second, the value of household production was only slightly greater (15 percent) for non-whites than whites. Third, net government expenditures were actually greater for non-whites as for whites (a ratio of 1.13). The ratio of mean LIMEW between non-whites and whites declined from 80 to 72 percent over the 1989-2001 period, and the ratio of medians fell somewhat from 81 to 80 percent. The main reason for this was the very dramatic increase in income from wealth, noted above, which benefited white households much more than nonwhite households.

The spread in mean LIMEW between married couples and single females was somewhat greater than the spread in money income but that between married couples and single males was less. The ratio of mean LIMEW between single males and married couples was 0.65 in 2001, compared to 0.61 for income, but the mean LIMEW ratio between single females and married couples in 2001 was 0.37, compared to 0.45 in money income. The main reason for the differences is that the gap in income from wealth was relatively small between married couples and singles males but quite large between married couples and single females. Single males gained on married couples over the 1989-2001 period, with the ratio of mean LIMEW rising from 42 to 64 percent, while single females fell further behind, with the corresponding ratio falling from 0.39 to 0.37. These changes also tend to reflect the rising importance of income from nonhome wealth among the elderly. Similar results hold for median LIMEW

Not surprisingly, the gap in LIMEW by income quintiles was smaller than the gap in income, with a 8.6 ratio in mean LIMEW between the top and bottom quintiles in 2001, compared to a 12.5 ratio in mean income.¹² However, what is of interest is that LIMEW grew much faster at the top two income quintiles than the bottom three over the 1989-2001 period, again reflecting the dramatic increase in income from nonhome wealth at the top. The ratio in mean LIMEW between the top and bottom income quintiles advanced from 6.5 to 8.6. Similar results are found for median LIMEW by income quintile.

We find very similar findings even with equivalence scale adjustment to LIMEW. Mean ratio of adjusted LIMEW for age group 65 to 74 to age group 75 and over

¹² Mathematically, this has to be the case since the quintiles are defined by the level of money income.

remained around 1.12 and 1.16, and the ratio of median between the two age groups also remained around 1.13 to 1.20 over the period, which are very close to those of unadjusted LIMEW. The similar stable pattern was also emerged in comparison between white and non-white groups. The ratio of mean adjusted LIMEW between two groups was 0.64 in 2001 compared to 0.68 in 1989, and its median case was 0.76 in 2001 compared to 0.75 in 1989. When it comes to the subgroup of married couple, mean and median values of the adjusted LIMEW are about 30 percent higher than those of overall elderly from 1989 to 2001, which are, however, lower than unadjusted LIMEW cases (about 50 percent higher). This is due to the larger impact of equivalence scale on married couple compared with single male and single female groups. In terms of trend, however, single female group experienced decreasing its mean value from 72 to 65 percent of overall elderly and single male group experienced increasing its mean value from 76 percent to 114 percent as in unadjusted LIMEW.

Inequality among the Elderly and Non-Elderly

The results discussed in the previous section raise interesting questions regarding inequality among the elderly and the nonelderly. Does the striking differences in the magnitude of the individual components of the LIMEW between the elderly and the nonelderly translate into substantially different levels of inequality between the groups? The distinctions between the LIMEW and conventional measures raise the question about whether the measured gap in inequality between the groups is sensitive to the measure of well-being used. In what follows, we address these questions using decomposition analysis with the full acknowledgement that this is not a substitute for a causal analysis, but only a preliminary, yet essential step.

We will be comparing the results based on LIMEW and the most comprehensive measure of income published by the Census Bureau, which we call “extended income” and abbreviate as “EI.” (See Table 1 for a list of the major components of LIMEW and EI). There are four major features of EI that distinguishes it from money income and makes it more suitable for purposes of comparisons in this section. First, unlike money income, both LIMEW and EI are after-tax measures of well-being, although the LIMEW includes consumption taxes in addition to income, payroll and property taxes. Second, EI

and LIMEW include the value of employer-provided health insurance. Third, EI incorporate a measure of income from home wealth in the form of an imputed return on home equity and an expanded definition of income from nonhome wealth by including, in addition to property income, the realized amount of capital gains. This makes EI particularly suitable for comparison with LIMEW as different measures of income from wealth can be compared and contrasted. Fourth, EI and LIMEW include the value of noncash transfers, although the method of valuation is different for Medicare and Medicaid in the two measures (fungible value in EI and government cost in LIMEW).

The mean values of the two measures and their respective components for 1989 and 2001 are shown in Table 17. It is first of note that the relative EI of the elderly is much higher than their relative money income; the elderly-nonelderly ratio of mean values is 0.71 for EI in 2001 as against 0.55 for money income. Taking taxes, and noncash transfers into account, and, including an expanded definition of income from wealth improves the measured relative well-being of the elderly. Of course, the extent of such improvement is, as was already discussed in the previous section, much higher if LIMEW is used as the yardstick of well-being.

Comparing the EI and LIMEW shows two salient differences between the two measures in terms of the disparities between the elderly and the nonelderly. First, income from nonhome wealth of the elderly relative to the nonelderly is much higher when that income is reckoned as lifetime annuity rather than as current income from assets. As discussed before, this is a reflection of the elderly's higher levels of net worth and shorter remaining years of life. The elderly-nonelderly ratio of mean values is 1.3 for EI in 2001 as against 3.4 for LIMEW.¹³ Second, the net cost imposed by the fiscal system on the nonelderly appears to be considerably lower once public consumption is included in the equation. In both years, net government expenditures for the nonelderly in the LIMEW is only 30 percent of its counterpart in EI. However, both measures show that net government expenditures became increasingly negative over the period. The differences in the make-up of the two measures have significant impacts on the trends in inequality, as we shall now discuss.

¹³ Interestingly, the ratio for EI was higher at 2.1 in 1989.

The degree of inequality in LIMEW among the elderly is much higher than among the nonelderly. In 2001, the Gini ratio of the LIMEW for the elderly was 0.508 as against 0.402 for the nonelderly— a very high difference of 0.106 (Table 18). Estimates for 1989 and 1995 also show a similar gap in inequality. The gap in inequality (as well as the degree of inequality) was the highest in 2000, when the Gini ratio for the elderly was 0.130 higher than that of the nonelderly.

The amount of inequality (measured in Gini points) contributed by each component of the LIMEW to the Gini of each group in 2001 is shown in Figure 1. Base income is the major contributor to the Gini for the nonelderly while income from nonhome wealth is the dominant contributor to inequality among the elderly. However, the difference in the contribution made by base income to the Gini ratios of the two groups (15.3 Gini points) is overwhelmed by the difference in the contribution made by income from nonhome wealth (22.8 Gini points). This is the main reason behind the higher inequality among the elderly. In turn, the larger size of the contribution made by income from nonhome wealth to inequality among the elderly is not because it is more unequally distributed across the LIMEW distribution within this group as compared to the nonelderly.¹⁴ Instead, it is the much bigger share of income from nonhome wealth in LIMEW among the elderly (41 percent in 2001) than among the non-elderly (13.2 percent) that is responsible for the bigger amount of inequality generated by this component. These results indicate that among the differences that we observed between the elderly and the nonelderly with respect to the various components of the LIMEW, differentials in income from nonhome wealth turns out to be the crucial factor behind the much higher inequality among the elderly as compared to the nonelderly.

In contrast, inequality in EI is virtually identical among the elderly and nonelderly for all the years, except 1989. For example, in 2001, both had a Gini ratio of 0.399 (Table 18). Decomposing the Gini ratio into the Gini points contributed by each major component of extended income shows that base income is the biggest contributor for both groups (Figure 2). However, the amount contributed by base income is about 22 Gini points higher for the nonelderly than for the elderly. But, this “excess” of Gini points is

¹⁴ The concentration coefficient for income from nonhome wealth with respect to the LIMEW was approximately 0.81 for both groups in 2001.

offset by taxes and transfers, and to lesser extent by income from nonhome wealth. Taxes and transfers taken together (i.e., net government expenditures) reduce the inequality among the nonelderly by 15.3 Gini points while net government expenditures make no contribution to the inequality among the elderly because the contributions made by transfers and taxes cancel each other out. Income from nonhome wealth contributes almost twice as much Gini points toward the inequality among the elderly as compared to the nonelderly (12.1 versus 6.4) and the difference of 5.7 points further eliminate the “excess” of Gini points.

The results from the decomposition analysis also help to account for the fact that while inequality in LIMEW and EI is the roughly the same among the nonelderly (0.402 versus 0.399), inequality among the elderly in LIMEW is much higher than in EI (0.508 versus 0.399, *see* Table 18). Considering the elderly first, it can be calculated from the numbers reported in Figures 1 and 2 that the sum of Gini points contributed by base income and income from wealth in LIMEW is higher than the sum of their contributions in EI (44.1 versus 39.9) because of the much higher contribution of income from wealth in LIMEW. Household production, a component that is unique to the LIMEW, contributed an additional 6.2 points thus resulting in a total gap of 10.9 Gini points between the two measures. Similar calculations for the nonelderly show that the sum of Gini points contributed by base income and income from wealth in LIMEW is lower than the sum of their contributions in EI (36.1 versus 55.2) because of the much higher contribution of base income in EI. However, the large negative contribution from net government expenditures in EI (-15.3) and the significant positive contribution from household production in LIMEW (8.5) help close the wedge between the two measures in the degree of inequality among the nonelderly.

Comparing the trends over time across the alternative measures of well-being shows that both EI and MI indicate an increase in inequality among the nonelderly and little change in inequality among the elderly. In contrast, the inequality in LIMEW increased among both groups (Table 18). From 1989 to 2001, the increase in the Gini points contributed by income from nonhome wealth exceeded the overall increase in the Gini of the LIMEW for the elderly (8.7 versus 5.5, *see* Figure 3). The higher contribution of income from nonhome wealth was partially offset by declines in the contributions of

base income and household production (−1.3 and −1.6 points, respectively). These changes were due to the sharp growth in income from nonhome wealth relative to the other two components of the LIMEW (calculated from Table 17).¹⁵ Income from nonhome wealth in EI, consisting of property income and realized capital gains, showed the opposite pattern: its growth was significantly lower than that of EI and therefore its contribution to the Gini of EI declined by 2.2 Gini points. Additionally, income from home wealth, calculated as the return to home equity in EI, also lost some of its share of EI (to a higher degree as compared to income from nonhome wealth) resulting in a fall of 2.6 points in its contribution to the Gini of EI. The decline in the contribution made by income from wealth almost completely compensated for the increase in the contributions made by base income and transfers, thus leaving the Gini of EI in 2001 at roughly the same level as it was in 1989.

The inequality among the nonelderly rose between 1989 and 2001 according to all measures, but the contribution by the components differ markedly between LIMEW and EI (Figure 4).¹⁶ In the case of LIMEW, the increase in the Gini points contributed by income from nonhome wealth was twice as much the increase in the Gini points contributed by base income (3.5 versus 1.7 points). However, the increase in the Gini points contributed by base income alone exceeded the overall increase in the Gini ratio of EI (5.8 versus 4.3 points) and the contribution toward the increase in Gini from income from nonhome wealth was only 0.9 points. Taxes contributed toward lowering the change in the Gini of EI by 1.4 points, reflecting their growth in tandem with base income. Of equal importance in lowering the change in the Gini of EI was income from home wealth. This component of EI, consisting of return on home equity, fell by a remarkable 22 percent from 1989 to 2001 (calculated from Table 17). Although not shown here, the

¹⁵ In principle, the change in the contribution of a component is a combination of the change in its share in LIMEW and the change in its concentration coefficient. The concentration coefficients for income from nonhome wealth, base income and household production were, however, largely unchanged over the period, thus leaving changes in income shares as the only factor behind the change in the Gini for the elderly.

¹⁶ An unknown amount of the change in official measures is due to the change in survey methods—computer-assisted personal interviewing and raising the threshold for reported earnings from \$300,000 to \$1 million—introduced from 1994. One estimate is that these changes accounted for half of the increase in the inequality in household money income between 1992 and 1993 or about 1 Gini point (Ryscavage 1995). The change in the Gini of the nonelderly between 1989 and 2001 for EI and MI are, respectively, 4.3 and 5.4 Gini points. It should also be noted that the growth in the inequality of LIMEW is dominated by income from nonhome wealth, a component that was unaffected by the change in survey methods.

impact of this component on overall inequality was further reinforced by a decline in its concentration ratio (from 0.437 in 1989 to 0.319 in 2001) indicating that income from home wealth became less unequally distributed across the EI distribution.

Conclusion

The picture of economic well-being is crucially dependent on the yardstick used to measure it. Although gross money income, the most widely used official measure, may be suitable for certain purposes, it is an incomplete measure in several important ways. The elevation of more comprehensive measures to a status that is on par with money income in the official scorecard of the economic well-being of U.S. households (DeNavas-Watt et al. 2003) is a sure indication that academic discussion and policy making will be increasingly informed by such measures.

The picture regarding economic well-being is substantially altered according to the LIMEW compared to the official measures. Perhaps, our most striking result is that the elderly are much better off relative to the non-elderly in terms of our broader measure of economic well-being, LIMEW, than according to conventional income measures (see Figure 5). In 2001, the ratio in mean LIMEW between elderly and non-elderly households was 1.09, in comparison to a ratio of 0.55 in terms of standard money income, while the ratio of median values was 0.85 for LIMEW and only 0.47 for money income. The main reason for the higher relative LIMEW of the elderly is the much higher value of income from wealth and net government expenditures for the elderly than the non-elderly. The well-being measures adjusted by equivalence scale also shows the same pattern, although the relative well-being of the elderly now appears to be much better.

Both mean and median LIMEW also grew much faster for the elderly than the non-elderly over the 1989-2001 period. In contrast, growth rates of standard money income were actually greater for the non-elderly than the elderly over this period. As a result, the ratio of mean LIMEW between elderly and non-elderly households *increased* over the period from 0.96 to 1.09 and the ratio of median LIMEW from 0.77 to 0.85, while the ratio of mean money income *declined* from 0.59 to 0.55 and the ratio of median money income remained steady at 0.47. The main reason for the positive growth in the ratio of LIMEW (in comparison to the negative change in the ratio of money income) is

the phenomenal increase in income from nonhome wealth of 77 percent over the period. A secondary reason is the widening gap in net government expenditures between the elderly and the non-elderly, from \$21,400 to \$26,700.

The ratio of mean LIMEW between non-whites and whites was 72 percent in 2001, compared to a ratio of money income of 0.79, while the ratio of median LIMEW was 0.80, compared to ratio of median money income of 0.73 (Figure 6). The fact that the two ratios are relatively close is due to the effects of three offsetting factors. First, income from wealth was much higher for whites than non-whites. Second, the value of household production was only slightly greater for non-whites than whites. Third, net government expenditures were actually greater for non-whites than for whites. The ratio of mean LIMEW between non-whites and whites declined from 80 to 72 percent over the 1989-2001 period, and the ratio of medians fell somewhat from 81 to 80 percent. The main reason for this was the very dramatic increase in income from wealth, noted above, which benefited white households much more than nonwhite households.

The degree of inequality in the LIMEW is substantially different between the elderly and the nonelderly (Figure 7). In 2001, the Gini ratio of the LIMEW for the elderly was 0.508 as against 0.402 for the nonelderly— a very high difference of 0.106. In contrast, inequality in the most comprehensive measure of income published by the Census Bureau, “extended income” (EI), is virtually identical among the elderly and nonelderly with a Gini ratio of 0.399. Thus, the measured gap in inequality among the groups is sensitive to the measure of well-being used primarily because of the huge difference in the inequality in LIMEW and EI among the elderly. The main factor behind this, as the decomposition analysis revealed, is the greater size and concentration of income from nonhome wealth in the LIMEW compared to EI. Further, the change in inequality between 1989 and 2001 is also different for the alternative well-being measures. Inequality in the LIMEW grew for both the elderly and the nonelderly while the inequality in EI (as well as in standard money income) grew only for the latter group. The changes in the inequality in EI are driven largely by the changes in earnings inequality and this accounts for the growing inequality in EI among the nonelderly. In sharp distinction to the trends in the LIMEW for the elderly where the share of income from wealth rose from 37.4 to 46.2 percent, the share of such income fell in the overall EI

for the elderly (from 35.7 to 27.6 percent). The divergent trends in the income from nonhome wealth were the main reason behind the growing inequality in LIMEW and stagnant inequality in EI among the elderly.

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Table 2. Distribution of Adults, Elderly and Children by the Age of the Householder

Number (in millions)												
All households Householder under 65 Householder 65 or more	1989			1995			2000			2001		
	Adults	Elderly	Children	Adults	Elderly	Children	Adults	Elderly	Children	Adults	Elderly	Children
	177.8	29.1	65.7	187.2	31.5	71.3	203.0	33.6	73.4	204.2	33.8	73.5
	144.4	2.0	64.5	151.9	2.4	70.2	166.0	3.1	72.2	167.4	3.3	72.2
	33.4	27.1	1.1	35.3	29.1	1.1	37.0	30.5	1.2	36.7	30.5	1.2
	Percent distribution											
	1989			1995			2000			2001		
	Adults	Elderly	Children	Adults	Elderly	Children	Adults	Elderly	Children	Adults	Elderly	Children
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	81.2	6.9	98.3	81.2	7.6	98.5	81.8	9.3	98.4	82.0	9.7	98.3
18.8	93.1	1.7	18.8	92.4	1.5	18.2	90.7	1.6	18.0	90.3	1.7	
All households Householder under 65 Householder 65 or more	Mean values											
	1989			1995			2000			2001		
	Adults	Elderly	Children	Adults	Elderly	Children	Adults	Elderly	Children	Adults	Elderly	Children
	1.90	0.31	0.70	1.88	0.32	0.72	1.88	0.31	0.68	1.87	0.31	0.67
	1.97	0.03	0.88	1.94	0.03	0.90	1.94	0.04	0.84	1.93	0.04	0.83
	1.66	1.35	0.06	1.64	1.35	0.05	1.65	1.36	0.05	1.63	1.36	0.06
	Addendum:	1989	1995	2000	2001							
		11.4	13.3	15.4	15.7							
		10.7%	10.9%	10.8%	10.8%							
		4.2%	4.6%	5.0%	5.0%							

Table 3. Percent Distribution of Elderly and Nonelderly Householders by Selected Characteristics

Characteristic of the householder	1989		2001	
	Non-elderly	Elderly	Non-elderly	Elderly
Race/ethnicity	100.0	100.0	100.0	100.0
Non-Hispanic white	77.9	86.9	71.3	84.2
African American	11.9	8.3	12.6	8.7
Asian or other race	3.0	1.4	5.2	2.4
Hispanic	7.2	3.3	10.9	4.7
Marital status and sex	100.0	100.0	100.0	100.0
Married	59.3	44.1	54.3	42.7
Single-female	24.2	43.9	26.3	43.2
Single-male	16.5	12.0	19.4	14.1
Money income quintile¹	100.0	100.0	100.0	100.0
Lowest	14.9	38.5	15.2	38.6
Second	17.8	27.9	18.0	27.8
Third	21.2	15.9	21.0	16.2
Fourth	22.9	9.7	22.8	9.3
Top	23.3	8.0	23.1	8.0

Notes:

1. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 4. Household Money Income by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
All households	56,220	57,589	64,805	64,195	14.2	45,555	43,571	47,634	46,535	2.1
Non-elderly	61,617	63,398	71,491	70,767	14.8	51,975	50,078	55,091	54,234	4.3
Elderly	36,621	36,463	39,293	38,811	6.0	24,666	24,348	26,231	25,492	3.3
Ratio: Elderly to Non-Elderly	0.59	0.58	0.55	0.55		0.47	0.49	0.48	0.47	
Selected characteristics of the elderly										
Age										
65 to 74 years	42,140	42,751	46,241	45,978	9.1	29,703	29,567	31,867	31,098	4.7
75 and over	28,939	28,644	32,022	31,350	8.3	18,972	19,552	21,342	21,041	10.9
Race/ethnicity										
Non-Hispanic white	37,925	37,729	40,413	40,165	5.9	25,769	25,406	27,137	26,546	3.0
All others	27,980	28,729	33,115	31,594	12.9	16,583	17,713	19,971	19,280	16.3
African American	23,690	26,591	30,968	28,888	21.9	14,755	17,055	19,108	18,368	24.5
Asian or other race	46,536	44,208	49,824	45,364	-2.5	26,717	26,339	28,016	25,692	-3.8
Hispanic	30,700	26,564	28,993	29,552	-3.7	20,166	17,378	18,872	18,531	-8.1
Marital status and sex										
Married	50,515	51,804	54,082	54,975	8.8	36,603	36,803	38,368	38,112	4.1
Single-female	24,444	22,777	25,651	24,503	0.2	16,223	16,094	16,857	16,547	2.0
Single-male	30,052	31,457	35,930	33,746	12.3	20,347	20,882	23,117	22,277	9.5
Money income quintile¹										
Lowest	11,705	11,513	12,407	12,225	4.4					
Second	26,588	25,450	28,079	27,386	3.0					
Third	44,619	42,929	46,728	45,813	2.7					
Fourth	67,924	66,303	73,528	72,946	7.4					
Top	137,417	144,750	156,731	152,480	11.0					

Notes:

1. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 4A. Household equivalent money income by selected characteristics (in 2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
All households	73,894	75,754	85,877	85,348	15.5	60,299	58,046	64,215	63,294	5.0
Non-elderly	78,269	80,612	91,942	91,404	16.8	66,008	64,061	71,052	70,192	6.3
Elderly	58,006	58,090	62,736	61,955	6.8	41,844	41,769	44,174	43,181	3.2
Ratio: Elderly to Non-Elderly	0.74	0.72	0.68	0.68		0.63	0.65	0.62	0.62	
Selected characteristics of the elderly										
Age										
65 to 74 years	64,537	65,708	71,199	70,698	9.5	48,239	47,402	50,462	50,008	3.7
75 and over	48,924	48,618	53,878	52,854	8.0	34,170	36,331	38,564	38,271	12.0
Race/ethnicity										
Non-Hispanic white	60,925	60,778	65,584	64,927	6.6	44,284	43,784	46,484	45,627	3.0
All others	38,699	41,669	47,025	46,115	19.2	26,143	28,505	30,731	30,783	17.7
African American	33,637	39,738	46,468	43,915	30.6	23,245	27,753	30,114	29,871	28.5
Asian or other race	61,934	60,188	63,691	64,294	3.8	39,481	38,698	40,616	39,456	-0.1
Hispanic	41,331	37,853	39,991	40,905	-1.0	30,184	27,244	28,533	28,553	-5.4
Marital status and sex										
Married	70,392	73,167	76,161	77,173	9.6	52,447	52,818	54,383	54,556	4.0
Single-female	45,919	42,757	47,698	46,068	0.3	32,621	32,491	33,883	33,473	2.6
Single-male	56,707	59,374	67,958	64,580	13.9	40,301	41,832	45,658	43,826	8.7
Money income quintile²										
Lowest	22,923	22,822	24,302	24,203	5.6					
Second	45,612	44,184	48,211	47,110	3.3					
Third	71,652	67,952	73,146	72,638	1.4					
Fourth	101,053	97,873	109,570	109,936	8.8					
Top	190,492	206,361	228,353	217,658	14.3					

Notes:

1. The equivalence scale used here is the three-parameter scale that is used in the Census Bureau's experimental poverty measures.
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 5. Household Base Income¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	49,979	52,141	58,797	58,644	17.3
Non-elderly	59,394	61,843	69,378	69,055	16.3
Elderly	15,791	16,855	18,423	18,429	16.7
Ratio: Elderly to Non-Elderly	0.27	0.27	0.27	0.27	
Selected characteristics of the elderly					
Age					
65 to 74 years	21,021	22,893	24,681	25,185	19.8
75 and over	8,496	9,347	11,874	11,397	34.1
Race/ethnicity					
Non-Hispanic white	15,900	17,052	18,434	18,612	17.1
All others	15,027	15,652	18,363	17,458	16.2
African American	12,516	14,290	17,329	16,080	28.5
Asian or other race	26,721	25,703	28,402	25,611	-4.2
Hispanic	16,259	14,197	15,413	15,837	-2.6
Marital status and sex					
Married	23,425	25,907	26,406	27,484	17.3
Single-female	8,911	8,644	10,930	9,993	12.1
Single-male	12,828	14,347	17,011	16,881	31.6
Money income quintile²					
Lowest	1,233	1,072	1,515	1,295	5.0
Second	7,852	7,212	9,141	8,656	10.2
Third	19,455	20,272	23,295	23,212	19.3
Fourth	37,448	38,111	42,935	43,413	15.9
Top	79,763	93,946	96,052	96,019	20.4

Notes:

1. Base income equals money income minus all cash transfers included in it minus property income plus employer contributions for health insurance

Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income

2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 6. Income from home wealth¹ by selected characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	3,932	3,786	3,627	3,877	-1.4
Non-elderly	3,600	3,328	3,083	3,326	-7.6
Elderly	5,139	5,453	5,702	6,006	16.9
Ratio: Elderly to Non-Elderly	1.43	1.64	1.85	1.81	
Memo: Homeownership Rates					
Non-elderly	61.0%	61.6%	64.4%	64.8%	
Elderly	75.5%	79.1%	80.4%	80.8%	
Selected characteristics of the elderly					
Age					
65 to 74 years	5,913	6,087	6,658	7,190	21.6
75 and over	4,064	4,665	4,701	4,774	17.5
Race/ethnicity					
Non-Hispanic white	5,406	5,820	6,240	6,598	22.1
All others	3,381	3,215	2,734	2,849	-15.7
Marital status and sex					
Married	7,453	7,437	8,191	8,722	17.0
Single-female	3,517	3,709	3,865	4,053	15.2
Single-male	2,566	4,722	3,702	3,775	47.1
Money income quintile²					
Lowest	2,985	3,505	2,976	3,279	9.9
Second	4,481	4,990	5,792	5,955	32.9
Third	6,245	6,255	6,528	6,772	8.4
Fourth	6,775	6,987	8,045	9,456	39.6
Top	13,614	12,779	14,514	13,740	0.9

Notes:

1. Income from home wealth is imputed rent minus the annutized value of mortgage debt
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 7. Income from Nonhome Wealth¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	11,943	13,503	22,951	20,628	72.7
Non-elderly	7,963	8,227	14,738	13,862	74.1
Elderly	26,395	32,691	54,292	46,768	77.2
Ratio: Elderly to Non-Elderly	3.31	3.97	3.68	3.37	
Memo: Mean Nonhome Wealth					
Non-elderly	172,572	171,541	312,711	290,789	68.5
Elderly	267,101	317,152	547,340	489,514	83.3
Ratio: Elderly to Non-Elderly	1.55	1.85	1.75	1.68	
Selected characteristics of the elderly					
Age					
65 to 74 years	27,744	34,978	57,020	51,382	85.2
75 and over	24,540	29,848	51,437	41,964	71.0
Race/ethnicity					
Non-Hispanic white	28,426	35,108	59,562	51,272	80.4
All others	13,011	17,931	25,230	22,763	75.0
Marital status and sex					
Married	46,850	53,108	86,932	74,481	59.0
Single-female	9,047	13,189	23,187	15,148	67.4
Single-male	14,669	30,275	49,984	59,768	307.4
Money income quintile²					
Lowest	5,985	7,277	8,689	8,183	36.7
Second	13,196	15,975	30,631	24,953	89.1
Third	35,063	21,016	40,574	34,031	-2.9
Fourth	35,334	34,847	69,285	91,537	159.1
Top	142,327	242,332	378,698	281,850	98.0

Notes:

1. Income from home wealth is annuitized value of nonhome wealth minus the annuitized value of all debt other than mortgage.
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 8. Government Cash Transfers¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	5,058	5,695	5,430	5,546	9.7
Non-elderly	2,516	3,053	2,733	2,858	13.6
Elderly	14,286	15,306	15,722	15,933	11.5
Ratio: Elderly to Non-Elderly	5.68	5.01	5.75	5.58	
Selected characteristics of the elderly					
Age					
65 to 74 years	14,499	15,395	16,074	16,145	11.4
75 and over	13,996	15,196	15,354	15,712	12.3
Race/ethnicity					
Non-Hispanic white	14,575	15,747	16,206	16,456	12.9
All others	12,386	12,614	13,054	13,144	6.1
Marital status and sex					
Married	17,968	19,302	20,383	20,608	14.7
Single-female	11,145	11,822	11,864	12,185	9.3
Single-male	12,249	13,740	13,287	13,271	8.3
Money income quintile²					
Lowest	10,530	10,671	10,933	11,096	5.4
Second	16,036	16,937	17,271	17,498	9.1
Third	17,218	18,375	19,030	19,272	11.9
Fourth	17,453	19,507	20,490	20,447	17.2
Top	16,636	18,966	21,579	21,762	30.8

Notes:

1. Transfers received by the recipient as a cash payment (e.g. Social Security, unemployment compensation etc.)

Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income

Table 9. Government Noncash Transfers¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	% Chg, 89-01
All households	2,781	3,969	4,037	4,551	63.6
Non-elderly	1,581	2,486	2,488	2,966	87.6
Elderly	7,140	9,362	9,951	10,674	49.5
Ratio: Elderly to Non-Elderly	4.52	3.77	4.00	3.60	
Selected characteristics of the elderly					
Age					
65 to 74 years	7,085	9,476	10,198	10,873	53.5
75 and over	7,218	9,221	9,693	10,466	45.0
Race/ethnicity					
Non-Hispanic white	6,915	9,077	9,499	10,296	48.9
All others	8,639	11,102	12,445	12,686	46.8
Marital status and sex					
Married	8,735	11,536	12,158	13,073	49.7
Single-female	5,899	7,759	8,281	8,887	50.6
Single-male	5,815	7,544	8,311	8,892	52.9
Money income quintile²					
Lowest	6,840	8,780	9,572	10,104	47.7
Second	7,375	9,659	10,044	11,047	49.8
Third	7,420	9,960	10,718	11,414	53.8
Fourth	7,220	9,629	10,109	10,802	49.6
Top	7,122	9,338	9,737	10,474	47.1

Notes:

1. Transfers received by the recipient as a noncash benefit (e.g. Medicare, Medicaid etc.)

2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 10. Public Consumption¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	8,178	8,504	9,347	9,591	17.3
Non-elderly	9,453	9,899	10,811	11,089	17.3
Elderly	3,550	3,430	3,764	3,803	7.1
Ratio: Elderly to Non-Elderly	0.38	0.35	0.35	0.34	
Selected characteristics of the elderly					
Age					
65 to 74 years	3,873	3,789	4,265	4,316	11.4
75 and over	3,099	2,982	3,240	3,268	5.5
Race/ethnicity					
Non-Hispanic white	3,291	3,228	3,448	3,529	7.2
All others	5,263	4,662	5,511	5,259	-0.1
Marital status and sex					
Married	4,135	4,117	4,505	4,626	11.9
Single-female	3,063	2,862	3,157	3,152	2.9
Single-male	3,177	3,056	3,360	3,307	4.1
Money income quintile²					
Lowest	2,864	2,595	2,766	2,843	-0.7
Second	3,508	3,256	3,657	3,621	3.2
Third	4,057	4,037	4,557	4,539	11.9
Fourth	4,368	4,776	5,111	5,282	20.9
Top	4,996	4,969	5,860	5,835	16.8

Notes:

1. Government consumption and gross investment allocated to households (e.g. Police and fire departments, schools etc.)
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income

Table 11. Taxes¹ By Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	% Chg, 89-01
All households	14,844	15,078	19,144	18,731	26.2
Non-elderly	16,989	17,359	21,944	21,453	26.3
Elderly	7,053	6,782	8,461	8,217	16.5
Ratio: Elderly to Non-Elderly	0.42	0.39	0.39	0.38	
Selected characteristics of the elderly					
Age					
65 to 74 years	8,540	8,640	10,757	10,937	28.1
75 and over	4,983	4,472	6,057	5,385	8.1
Race/ethnicity					
Non-Hispanic white	7,348	7,052	8,672	8,538	16.2
All others	5,098	5,132	7,293	6,503	27.6
Marital status and sex					
Married	10,184	10,117	11,980	12,360	21.4
Single-female	4,287	3,661	4,921	4,402	2.7
Single-male	5,652	6,173	8,575	7,368	30.4
Money income quintile²					
Lowest	1,273	1,243	1,391	1,316	3.4
Second	2,963	2,710	3,517	3,233	9.1
Third	6,623	5,976	7,564	7,050	6.4
Fourth	13,175	12,565	16,455	15,598	18.4
Top	42,445	43,181	53,627	52,492	23.7

Notes:

1. Includes income taxes (federal, state and local), property taxes, consumption taxes and payroll taxes (employee portion only)

2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income

Table 12. Net Government Expenditures¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	% Chg, 89-01
All households	1,173	3,090	-329	958	-18.3
Non-elderly	-3,440	-1,922	-5,913	-4,539	32.0
Elderly	17,923	21,316	20,977	22,192	23.8
Difference: Elderly minus Non-Elderly	21,362	23,238	26,890	26,732	
Selected characteristics of the elderly					
Age					
65 to 74 years	16,918	20,020	19,780	20,397	20.6
75 and over	19,329	22,928	22,230	24,061	24.5
Race/ethnicity					
Non-Hispanic white	17,433	21,000	20,480	21,743	24.7
All others	21,191	23,246	23,717	24,586	16.0
Marital status and sex					
Married	20,654	24,838	25,066	25,946	25.6
Single-female	15,819	18,782	18,380	19,822	25.3
Single-male	15,589	18,167	16,382	18,102	16.1
Money income quintile²					
Lowest	18,961	20,803	21,880	22,728	19.9
Second	23,955	27,142	27,455	28,933	20.8
Third	22,071	26,396	26,741	28,176	27.7
Fourth	15,866	21,347	19,255	20,932	31.9
Top	-13,691	-9,908	-16,451	-14,422	5.3

Notes:

1. Transfers *plus* public consumption *minus* taxes

2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income

Table 13. Government Expenditures and Taxes: Nonelderly and Elderly Households (Mean Values in 2005 dollars)

	1989			1995			2000			2001			Percentage Change, 89-01		
	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All
Cash transfers	2,516	14,286	5,058	3,053	15,306	5,695	2,733	15,722	5,430	2,858	15,933	5,546	13.6	11.5	9.7
Social Security	1,026	13,334	3,684	1,162	14,440	4,026	1,233	14,746	4,039	1,264	15,025	4,094	23.2	12.7	11.1
Public assistance	477	67	389	484	48	390	238	46	198	194	47	164	-59.4	-28.8	-57.8
EITC	83	10	67	244	23	196	345	41	281	329	31	268	294.5	220.5	296.8
SSI	184	348	219	314	319	315	287	322	294	293	293	293	59.5	-15.8	33.7
Unemployment	275	47	226	331	50	271	251	48	209	380	69	316	38.3	45.8	40.1
Others	471	479	473	518	426	498	379	521	409	397	467	411	-15.7	-2.5	-13.0
Noncash transfers	1,581	7,140	2,781	2,486	9,362	3,969	2,488	9,951	4,037	2,966	10,674	4,551	87.6	49.5	63.6
Medicaid	825	775	814	1,375	1,003	1,295	1,556	1,667	1,579	1,738	1,661	1,722	110.7	114.2	111.5
Medicare	318	6,149	1,577	533	8,110	2,167	589	8,104	2,149	643	8,749	2,310	102.2	42.3	46.5
Food Stamps	245	71	208	342	92	288	182	58	156	186	63	161	-23.9	-10.7	-22.4
Energy assistance	21	33	24	16	24	18	17	21	18	24	30	25	13.6	-8.2	6.8
Others	193	145	183	236	157	219	161	122	153	399	201	358	106.7	38.6	96.2
Public consumption	9,453	3,550	8,178	9,899	3,430	8,504	10,811	3,764	9,347	11,089	3,803	9,591	17.3	7.1	17.3
Police and Fire	448	268	409	545	324	498	603	369	554	625	383	575	39.7	42.6	40.7
Education	5,208	511	4,194	5,511	488	4,428	6,122	612	4,978	6,321	633	5,151	21.4	23.8	22.8
Health and hospitals	985	593	900	932	555	851	1,000	612	919	1,026	624	943	4.2	5.3	4.8
Highways	769	626	738	783	640	752	839	701	810	882	703	845	14.7	12.2	14.5
Others	2,043	1,550	1,937	2,127	1,422	1,975	2,247	1,470	2,086	2,236	1,460	2,076	9.4	-5.8	7.2
Taxes	16,989	7,053	14,844	17,359	6,782	15,078	21,944	8,461	19,144	21,453	8,217	18,731	26.3	16.5	26.2
Federal income taxes	8,748	3,455	7,605	8,729	3,203	7,537	12,087	4,296	10,469	11,627	4,148	10,089	32.9	20.1	32.7
State income taxes	1,816	664	1,568	1,935	661	1,660	2,427	859	2,101	2,407	809	2,079	32.5	21.8	32.6
Property taxes	972	1,120	1,004	1,021	1,069	1,032	1,008	1,105	1,028	1,014	1,082	1,028	4.4	-3.4	2.4
Payroll taxes	3,923	706	3,229	4,196	769	3,457	4,519	843	3,756	4,527	842	3,769	15.4	19.1	16.7
Consumption taxes	1,530	1,107	1,439	1,478	1,080	1,392	1,904	1,358	1,790	1,877	1,336	1,766	22.7	20.7	22.7
Net government expenditures	-3,440	17,923	1,173	-1,922	21,316	3,090	-5,913	20,977	-329	-4,539	22,192	958	32.0	23.8	-18.3
Addedum: Transfers-Taxes	-12,892	14,373	-7,005	-11,820	17,887	-5,414	-16,723	17,213	-9,677	-15,629	18,390	-8,633	21.2	27.9	23.2

Table 14. Household production¹ by selected characteristics (in 2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
All households	19,852	18,824	22,255	22,558	13.6	14,660	13,184	15,408	15,807	7.8
Non-elderly	20,053	19,223	22,614	23,036	14.9	14,681	13,323	15,560	16,026	9.2
Elderly	19,122	17,371	20,886	20,711	8.3	14,604	12,721	14,822	15,182	4.0
Ratio: Elderly to Non-Elderly	0.95	0.90	0.92	0.90		0.99	0.95	0.95	0.95	
Selected characteristics of the elderly										
Age										
65 to 74 years	20,970	19,179	23,557	22,989	9.6	16,599	14,586	17,329	17,073	2.9
75 and over	16,555	15,124	18,091	18,341	10.8	12,265	10,831	12,875	13,552	10.5
Race/ethnicity										
Non-Hispanic white	19,723	17,716	21,220	21,136	7.2	15,288	13,147	15,336	15,606	2.1
All others	15,156	15,267	19,050	18,450	21.7	10,473	10,185	12,441	11,934	14.0
Marital status and sex										
Married	29,057	27,848	32,403	32,079	10.4	25,755	23,502	27,483	27,763	7.8
Single-female	12,159	10,427	12,812	12,824	5.5	10,054	7,270	9,171	9,490	-5.6
Single-male	8,035	6,040	10,321	10,498	30.6	4,360	3,032	5,841	5,807	33.2
Money income quintile²										
Lowest	11,084	9,903	13,021	13,080	18.0	8,889	7,085	9,578	9,938	11.8
Second	18,363	16,073	19,031	19,568	6.6	15,595	13,202	15,474	15,562	-0.2
Third	23,095	21,631	25,417	24,970	8.1	20,430	19,401	21,399	21,283	4.2
Fourth	29,049	27,335	31,473	29,858	2.8	26,201	23,323	25,703	25,254	-3.6
Top	40,515	35,574	44,558	42,135	4.0	35,902	29,243	35,919	34,886	-2.8

Notes:

1. Value of time spent on housework (e.g. cooking) and care (e.g. caring for an adult) calculated using the LIMEW method
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 14A. Weekly hours of household production¹ by selected characteristics (in 2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
All households	46	44	48	48	2.7	40	38	40	40	-1.9
Non-elderly	47	46	49	49	5.1	41	40	41	41	1.2
Elderly	45	39	42	42	-7.1	39	33	34	34	-13.3
Ratio: Elderly to Non-Elderly	0.95	0.84	0.85	0.84		0.95	0.83	0.84	0.82	
Selected characteristics of the elderly										
Age										
65 to 74 years	47	42	46	45	-4.0	42	36	39	38	-10.2
75 and over	41	35	38	38	-8.9	34	28	30	30	-11.9
Race/ethnicity										
Non-Hispanic white	44	38	41	41	-7.3	39	33	34	34	-12.9
All others	47	42	46	43	-7.1	40	32	37	34	-14.8
Marital status and sex										
Married	63	58	62	61	-3.8	61	52	57	57	-6.1
Single-female	32	27	29	28	-12.4	31	23	23	23	-25.7
Single-male	21	15	23	23	9.8	15	14	15	14	-5.3
Money income quintile²										
Lowest	36	29	32	32	-10.3	32	23	26	25	-21.8
Second	47	39	42	42	-10.6	42	34	36	35	-16.9
Third	51	46	50	48	-4.4	47	43	46	42	-11.6
Fourth	54	53	56	53	-2.2	50	46	49	48	-5.1
Top	55	52	58	57	3.1	52	46	53	50	-4.7

Notes:

1. Value of time spent on housework (e.g. cooking) and care (e.g. caring for an adult) calculated using the LIMEW method.
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 15. LIMEW¹ by selected characteristics (in 2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
All households	86,879	91,344	107,385	106,666	22.8	70,742	71,288	78,121	79,403	12.2
Non-elderly	87,570	90,700	104,000	104,740	19.6	74,226	73,899	80,087	81,741	10.1
Elderly	84,370	93,687	120,301	114,107	35.2	57,253	60,496	69,719	69,732	21.8
Ratio: Elderly to Non-Elderly	0.96	1.03	1.16	1.09		0.77	0.82	0.87	0.85	
Selected characteristics of the elderly										
Age										
65 to 74 years	92,566	103,158	131,725	127,142	37.4	63,914	68,961	81,465	80,274	25.6
75 and over	72,984	81,912	108,345	100,537	37.8	48,973	52,101	58,171	58,292	19.0
Race/ethnicity										
Non-Hispanic white	86,888	96,696	125,947	119,361	37.4	58,865	62,078	71,847	72,118	22.5
All others	67,765	75,312	89,161	86,106	27.1	47,565	51,589	58,008	57,855	21.6
Marital status and sex										
Married	127,439	139,138	179,014	168,712	32.4	86,321	93,471	106,358	107,921	25.0
Single-female	49,454	54,752	69,199	61,840	25.0	39,610	41,392	45,360	45,066	13.8
Single-male	53,687	73,551	97,420	109,024	103.1	36,191	41,743	47,256	49,996	38.1
Money income quintile²										
Lowest	40,249	42,560	48,100	48,565	20.7	35,216	35,606	39,157	39,426	12.0
Second	67,847	71,391	92,069	88,066	29.8	59,140	61,617	74,044	73,565	24.4
Third	105,929	95,570	122,588	117,161	10.6	84,073	88,932	102,349	100,563	19.6
Fourth	124,473	128,627	171,007	195,196	56.8	105,805	108,178	143,879	144,862	36.9
Top	262,529	374,723	517,379	419,322	59.7	176,487	185,771	237,130	232,758	31.9

Notes:

1. The LIMEW is the sum of base income, income from wealth, net government expenditures and the value of household production.
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 15A. Equivalent LIMEW¹ by Selected Characteristics (in 2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
All households	111,798	118,051	140,581	139,546	24.8	92,179	93,705	102,595	105,138	14.1
Non-elderly	106,202	110,003	127,678	128,760	21.2	91,320	91,496	100,132	102,778	12.5
Elderly	132,118	147,319	189,817	181,211	37.2	95,410	102,414	114,698	116,441	22.0
Ratio: Elderly to Non-Elderly	1.24	1.34	1.49	1.41		1.04	1.12	1.15	1.13	
Selected characteristics of the elderly										
Age										
65 to 74 years	138,426	156,615	198,894	194,249	40.3	101,103	108,636	125,894	126,797	25.4
75 and over	123,391	135,763	180,317	167,640	35.9	87,163	95,674	104,323	106,037	21.7
Race/ethnicity										
Non-Hispanic white	137,803	153,548	201,710	192,020	39.3	99,474	106,575	120,244	122,092	22.7
All others	94,622	109,276	124,232	123,608	30.6	74,731	81,899	91,579	93,066	24.5
Marital status and sex										
Married	177,346	195,349	250,664	237,336	33.8	122,811	133,696	151,531	153,100	24.7
Single-female	95,342	103,460	130,908	117,616	23.4	80,463	82,842	90,460	91,540	13.8
Single-male	100,399	134,986	184,659	206,187	105.4	71,198	81,912	94,183	101,241	42.2
Money income quintile²										
Lowest	76,477	81,337	91,032	92,929	21.5	69,453	71,637	78,126	80,281	15.6
Second	110,351	118,649	150,514	144,990	31.4	95,767	103,053	122,793	122,217	27.6
Third	160,620	146,237	184,545	179,083	11.5	128,360	132,635	152,060	152,966	19.2
Fourth	176,384	181,957	250,007	286,392	62.4	150,129	148,197	209,397	205,849	37.1
Top	365,152	531,314	764,507	613,654	68.1	222,100	240,998	341,629	296,850	33.7

Notes:

1. The LIMEW is the sum of base income, income from wealth, net government expenditures and the value of household production. The equivalence scale used here is the three-parameter scale used in the Census Bureau's experimental poverty measures.
2. Quintiles are defined with respect to all householders. The definition of income is the standard CPS definition of household income.

Table 16. Composition of LIMEW: Nonelderly and the Elderly

	Mean values (in 2005 dollars)											
	1989			1995			2000			2001		
	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All
Base income	59,394	15,791	49,979	61,843	16,855	52,141	69,378	18,423	58,797	69,055	18,429	58,644
Income from wealth	11,563	31,534	15,875	11,555	38,144	17,290	17,821	59,994	26,578	17,188	52,774	24,506
Home wealth	3,600	5,139	3,932	3,328	5,453	3,786	3,083	5,702	3,627	3,326	6,006	3,877
Nonhome wealth	7,963	26,395	11,943	8,227	32,691	13,503	14,738	54,292	22,951	13,862	46,768	20,628
Net government expenditures	-3,440	17,923	1,173	-1,922	21,316	3,090	-5,913	20,977	-329	-4,539	22,192	958
Cash transfers	2,516	14,286	5,058	3,053	15,306	5,695	2,733	15,722	5,430	2,858	15,933	5,546
Noncash transfers	1,581	7,140	2,781	2,486	9,362	3,969	2,488	9,951	4,037	2,966	10,674	4,551
Public consumption	9,453	3,550	8,178	9,899	3,430	8,504	10,811	3,764	9,347	11,089	3,803	9,591
Taxes	16,989	7,053	14,844	17,359	6,782	15,078	21,944	8,461	19,144	21,453	8,217	18,731
Household production	20,053	19,122	19,852	19,223	17,371	18,824	22,614	20,886	22,255	23,036	20,711	22,558
LIMEW	87,570	84,370	86,879	90,700	93,687	91,344	103,900	120,280	107,301	104,740	114,107	106,666

	Percent of LIMEW											
	1989			1995			2000			2001		
	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All	Non elderly	Elderly	All
Base income	67.8	18.7	57.5	68.2	18.0	57.1	66.8	15.3	54.8	65.9	16.2	55.0
Income from wealth	13.2	37.4	18.3	12.7	40.7	18.9	17.2	49.9	24.8	16.4	46.2	23.0
Home wealth	4.1	6.1	4.5	3.7	5.8	4.1	3.0	4.7	3.4	3.2	5.3	3.6
Nonhome wealth	9.1	31.3	13.7	9.1	34.9	14.8	14.2	45.1	21.4	13.2	41.0	19.3
Net government expenditures	-3.9	21.2	1.4	-2.1	22.8	3.4	-5.7	17.4	-0.3	-4.3	19.4	0.9
Cash transfers	2.9	16.9	5.8	3.4	16.3	6.2	2.6	13.1	5.1	2.7	14.0	5.2
Noncash transfers	1.8	8.5	3.2	2.7	10.0	4.3	2.4	8.3	3.8	2.8	9.4	4.3
Public consumption	10.8	4.2	9.4	10.9	3.7	9.3	10.4	3.1	8.7	10.6	3.3	9.0
Taxes	19.4	8.4	17.1	19.1	7.2	16.5	21.1	7.0	17.8	20.5	7.2	17.6
Household production	22.9	22.7	22.9	21.2	18.5	20.6	21.8	17.4	20.7	22.0	18.2	21.1
LIMEW	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 17. Composition of LIMEW and Extended Income: Nonelderly and the Elderly
Mean values (in 2005 dollars)

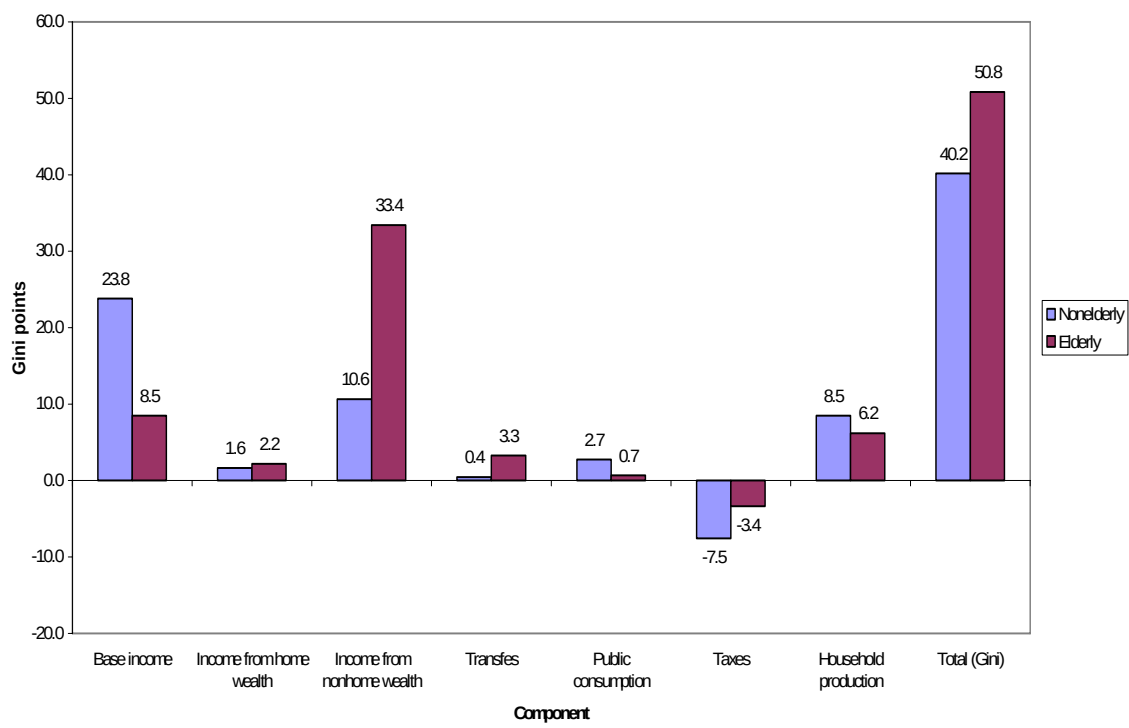
	LIMEW				Extended income			
	1989		2001		1989		2001	
	Nonelderly	Elderly	Nonelderly	Elderly	Nonelderly	Elderly	Nonelderly	Elderly
Base income	59,394	15,791	69,055	18,429	59,394	15,791	69,055	18,429
Income from wealth	11,563	31,534	17,188	52,774	8,013	15,222	8,644	12,576
Home wealth	3,600	5,139	3,326	6,006	3,577	5,754	2,772	4,756
Nonhome wealth	7,963	26,395	13,862	46,768	4,436	9,469	5,872	7,820
Net government expenditures	-3,440	17,923	-4,539	22,192	-12,427	11,621	-15,539	14,506
Transfers	4,097	21,426	5,824	26,606	2,781	17,522	3,615	21,391
Public consumption	9,453	3,550	11,089	3,803				
Taxes	16,989	7,053	21,453	8,217	15,208	5,901	19,154	6,886
Household production	20,053	19,122	23,036	20,711				
Total	87,570	84,370	104,740	114,107	54,981	42,634	62,159	45,511

Percent of total								
	LIMEW				Extended income			
	1989		1995		1989		2001	
	Nonelderly	Elderly	Nonelderly	Elderly	Nonelderly	Elderly	Nonelderly	Elderly
Base income	67.8	18.7	65.9	16.2	108.0	37.0	111.1	40.5
Income from wealth	13.2	37.4	16.4	46.2	14.6	35.7	13.9	27.6
Home wealth	4.1	6.1	3.2	5.3	6.5	13.5	4.5	10.5
Nonhome wealth	9.1	31.3	13.2	41.0	8.1	22.2	9.4	17.2
Net government expenditures	-3.9	21.2	-4.3	19.4	-22.6	27.3	-25.0	31.9
Transfers	4.7	25.4	5.6	23.3	5.1	41.1	5.8	47.0
Public consumption	10.8	4.2	10.6	3.3				
Taxes	19.4	8.4	20.5	7.2	27.7	13.8	30.8	15.1
Household production	22.9	22.7	22.0	18.2				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 18. Inequality among the elderly and non-elderly by measure of well-being (Gini ratios)

	1989	1995	2000	2001
	LIMEW			
Nonelderly	0.351	0.372	0.406	0.402
Elderly	0.454	0.479	0.535	0.508
	Extended income			
Nonelderly	0.356	0.387	0.403	0.399
Elderly	0.401	0.391	0.401	0.399
	Money income			
Nonelderly	0.391	0.429	0.439	0.445
Elderly	0.463	0.465	0.474	0.475

Figure 1. Decomposition of inequality in LIMEX, 2001



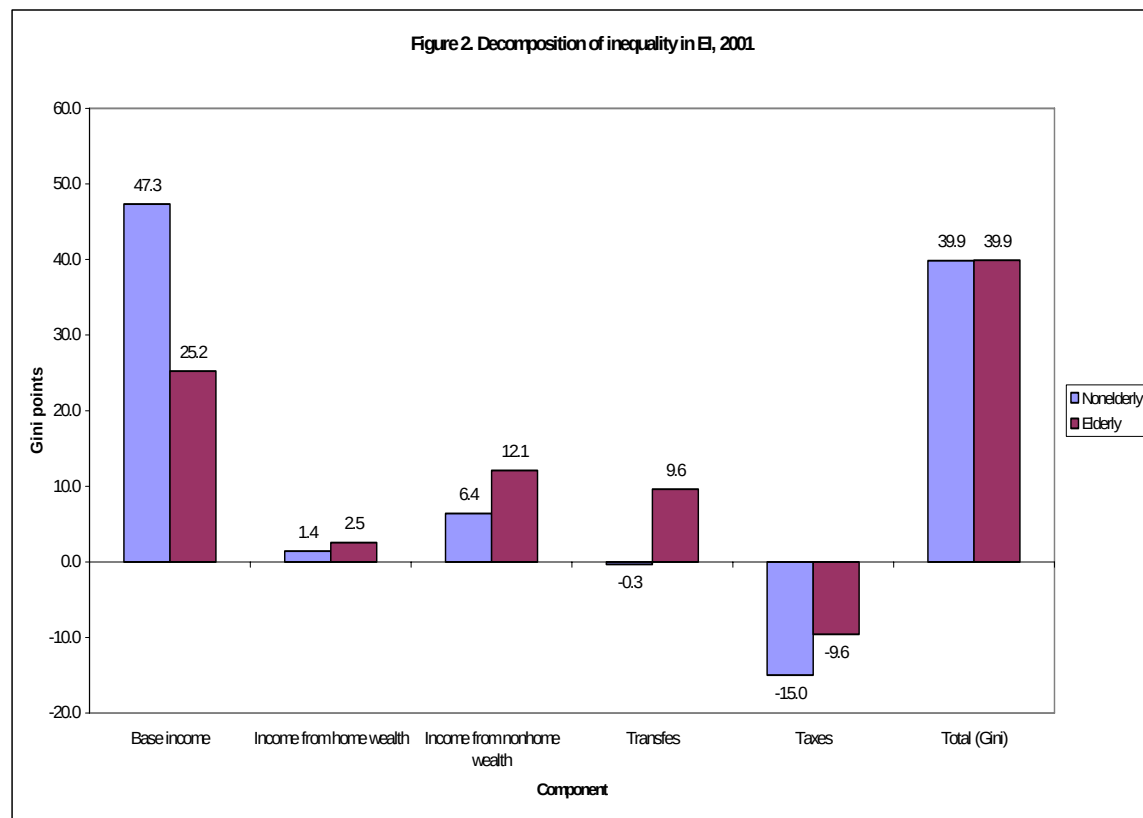


Figure 3. Contribution to the change in Gini ratio for the elderly, 1999 to 2001

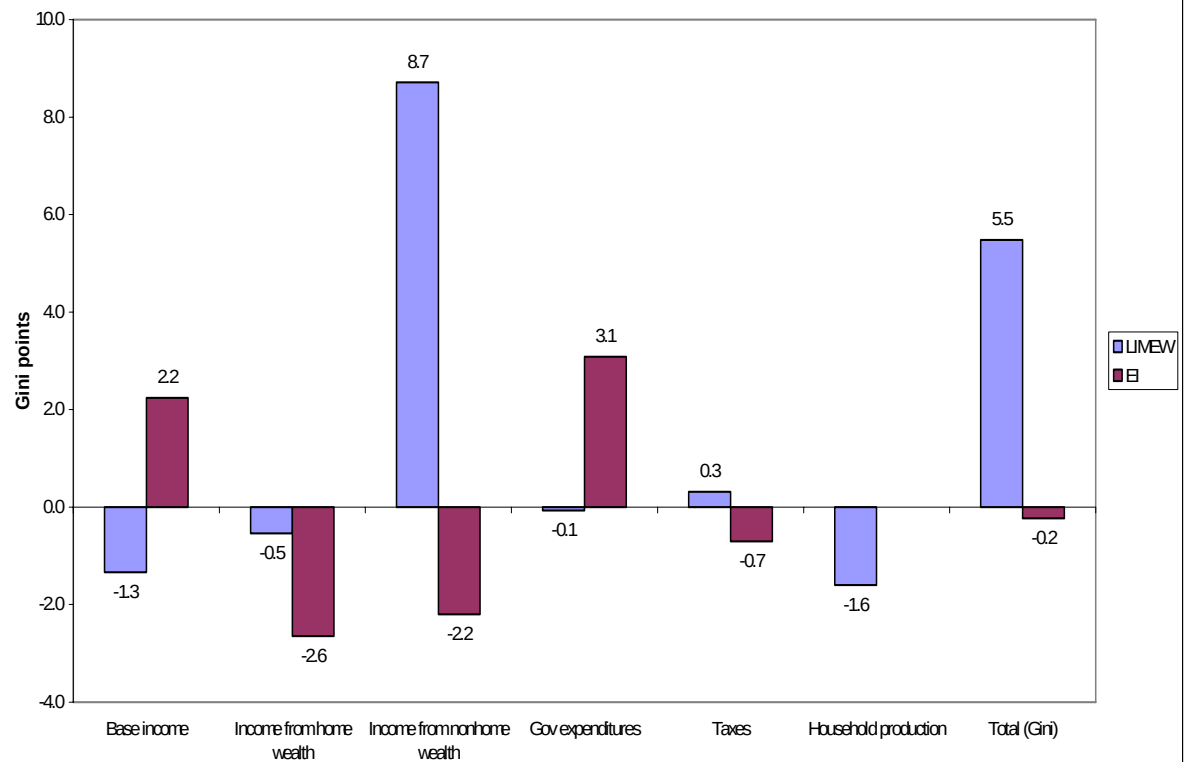


Figure 4. Contribution to the change in Gini ratio for the nonelderly, 1989 to 2001

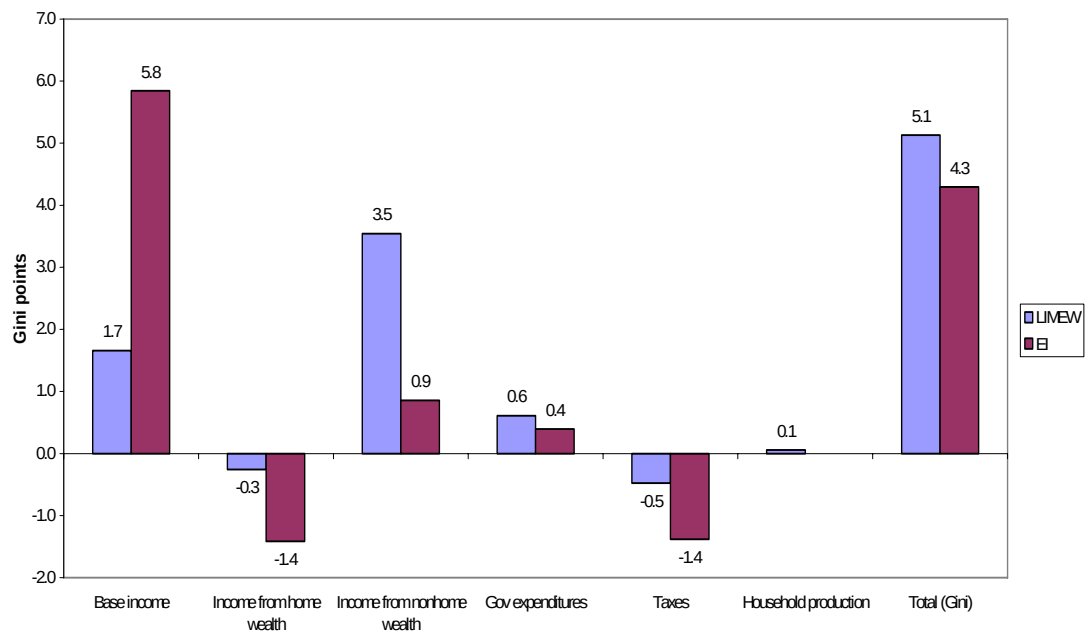


Figure 5. Disparity in well-being between elderly and nonelderly by well-being measure

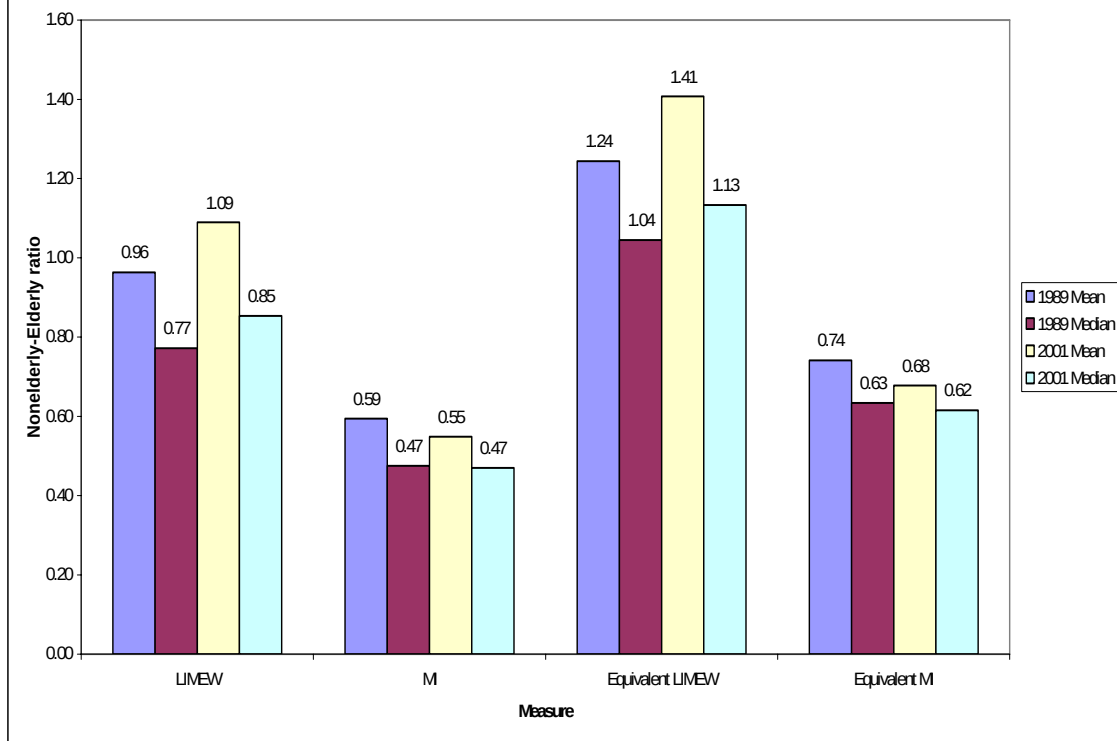


Figure 6. Disparity in well-being between nonwhite and white elderly by well-being measure

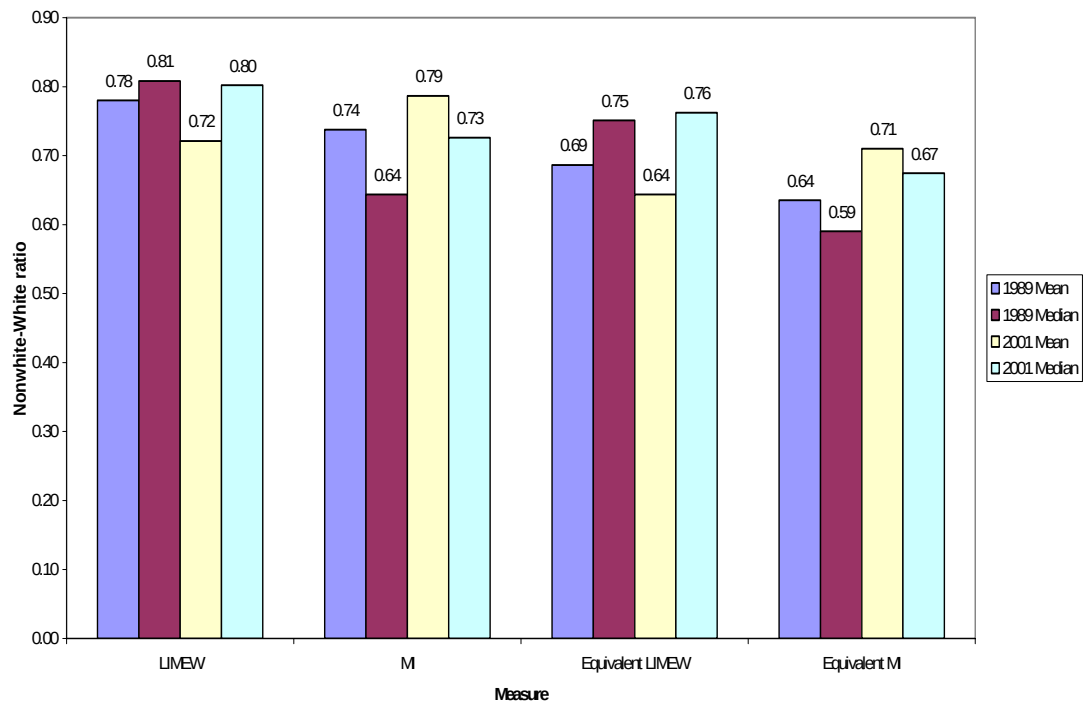


Figure 7. Lorenz Curve for Extended Income and LIMEW (1989,2001)

