

Comments on "The consumer behavior of elderly households and price indexes" by Takashi Unayama and Masayuki Keida

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What the authors do I

- Measure CPIs in Japan for different age groups
 - by considering composition of consumed goods and services across different age groups
 - by considering types of shopping outlets visited by different age groups
- Construct an index for different $k = \text{young}, \text{old}$

$$CPI_t^k = \sum_i^N \sum_s^K w_{is0}^k \frac{p_{ist}}{p_{is0}}$$

- For p_{is} , employ the National Survey on Retail Prices that collects price data for N items and for K outlet types
- For w_{is0}^k , employ the National Survey of Family Income and Expenditure that collects expenditure data for the same set of items and outlet types as in the NSRP across different age groups
- Calculate age-specific CPIs

- Decompose the deviation of the age-specific CPIs from the average CPIs into (1) the deviation caused by age-specific expenditure pattern and (2) the deviation caused by age-specific shopping outlet choice

- Households headed by the elderly experienced higher CPIs than average
- This trend is time-invariant during 1987-2007
- Higher CPIs for the elderly are attributed more to the expenditure pattern than to the choice of shopping outlets

- Interesting findings on CPIs among the elderly using semi-aggregated data
- Different in some aspects from the results of previous research
 - Kitamura (2008) focused only on the deviation caused by age-specific expenditure pattern but found that the signs of deviation from the average inflation rate vary over time
 - Aguiar and Hurst (2007) found that the elderly face lower prices for the same commodities than the young in the US
- Relevant for policy making, especially for the indexation of pension amount to the development of CPI
 - The authors insist that the current indexation is based on the overestimated CPIs

Comment 1: Reasons for the elderly to visit mom-pop shops rather than supermarkets

- Due to limited mobility or to different preference?
- The authors appear to be neutral, but it is important to examine which hypothesis is more likely
- There are cases in which the elderly are less constrained in mobility
 - Urban metropolitan areas where a number of supermarkets and other types of stores located in the neighborhood
 - Recent years in which we observe rapid development of delivery services by supermarkets and cooperatives and online shopping
- If the limited mobility hypothesis holds, choice of shopping outlets must become similar across different age groups in the above cases

Comment 2: Development of age-specific CPIs for the youngest (under 30) age group

- The authors focus mainly on the elderly, but it is worth looking at the heterogeneity among younger generations
- CPIs for <30 years old has been constantly higher than those for the generations of 30-39 and 40-49
- Decomposition indicates that the youngest generation face higher CPIs due to the types of shopping outlets they visit
- It may be simply due to the preference among the young (who like to stay up late and go to convenience stores)
- However, it also indicates that they are not so much benefited from the expenditure pattern as are their senior counterparts (age group of 30-39 years old)
- The authors may want to take a closer look

Comment 3: Effects of institutional changes in the past and those in the future

- Introduction of the consumption tax (0% -> 3% in 1989) and its tax rate increase (3% -> 5% in 1997)
- "Who experienced the most significant increase after tax increase" is an important material for discussion on the possible effect of the tax rate increase planned next April