Cognitive Ability and Economic Decision Making

Faculty Member: Cormac O'Dea

Proposal Description:

The goal of this project is to evaluate the role of cognitive ability in economic decision making. We are interested in the extent to which measured declines in cognitive ability as individuals age impacts their economic decisions (for example, their wealth accumulation and decumulation or their labor supply). The ultimate aim of the research is to assess whether, and to what extent, older individuals’ welfare is detrimentally affected by a diminished ability to make decisions in retirement.

The Health and Retirement Study (HRS) will form the basis for empirical component of the research. The HRS is a multidisciplinary, longitudinal study which collects data on those over the age of 50 in the US. The data is rich: it includes detailed content on health, wealth, income, time-use, cognitive ability and many other dimensions related to the well-being of the elderly.

This project is in an early stage, so this is an opportunity to be directly involved in the research process from the start.

The RA will have two roles:

• The first role will be to assist in a comprehensive literature search on studies which have related measures of cognitive ability to economic decision making. We will have a particular interest in studies that have used the measures of cognition collected as part of the HRS.
• The second role will be to start working with the HRS data, to establish important summary statistics on the extent to which cognitive ability evolves as individuals age.

Requisite Skills and Qualifications: Skills in a statistical package are essential, with Stata preferred.

Award: Lan Luo
Jakub Madej

Project Type: Tobin RA
Tobin Application Link: Tobin Application

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