Title: *New Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989-2001*
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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 between elderly and non-elderly households is money income. However, as several studies have pointed out, money income does not reflect elements that are crucial for the economic well-being of the elderly such as non-cash transfers (which are completely excluded from money income) and wealth (e.g. Radner 1996; Rendall and Speare 1993).

For instance, the economic advantage from wealth ownership reckoned in the money income measure is limited to actual property income (dividends, rent and interest). However, a more comprehensive measure would take into account the advantage 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) makes up the large share of economic well-being, especially, of the elderly.

Government expenditure and taxes are another example. They are known to have an equalizing effect on the economic well-being between the elderly and non-elderly. The extent of the gap between the two groups, however, 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. By means of such a comprehensive measure, it allows policymakers to gain better insights into the relative importance of different resources in sustaining or improving the economic well-being of the elderly and forces shaping inequality among the elderly.

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 and for some key demographic subgroups among the elderly household population. The relative importance of different sources of income in sustaining the well-being of the elderly will be discussed. In Section 4, we discuss economic inequality among the elderly and the non-elderly. 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.