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U.S. ECONOMY

An Aging America Shies Away From Risk

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By Justin Fox

Twenty years ago, Dutch journalist Sheila Sitalsing sat down with a demographer at the country's statistics office to talk about how aging would change the Netherlands. His prediction, she recounts in a [column](#) that's the most-read thing on the website of the Dutch newspaper de Volkskrant, was that aging would "change the atmosphere and the mentality of the country." For example:

Things that come with being young -- taking risks, seizing opportunities, daring to do things, diving into the deep end without thought and without water wings, doing drugs, making noise, calling after girls on the street corner, embracing the strange and the new -- would become less common. The atmosphere would be determined by the concerns of the old: avoiding risk, being careful, preserving what you have, saying goodbye, keeping quiet, suspicion of the foreign, avoiding fuss and noise -- absolutely no fuss and noise! -- and seizing every possible occasion to complain at length about alleged fuss and noise.

It's better in Dutch (the translation is mine, with a little help from Google), but it's a really interesting premise nonetheless. Timely, too, on both sides of the Atlantic. Republican primary voters -- and voters in general, actually -- skew pretty old, so maybe this explains the extreme fearfulness and suspicion of foreigners that has permeated the presidential campaign so far. More generally, could the aging of the U.S. population be behind all sorts of other phenomena, from anti-growth activism in high-priced cities and suburbs to the [decline in business dynamism](#) and [entrepreneurship](#) that has beset the country since about 2000?

Umm, maybe. The Dutch population has aged much faster than that of the U.S. The median age in the Netherlands was 28.6 in 1970 and is 42.7 now; in the U.S. it was 28.1 in 1970, is 37.8 now and is [projected to be 41](#) -- still below the current Dutch median -- in 2060. Yet Dutch people still ride their bikes everywhere without helmets, let their kids roam around with much less supervision than is customary in the U.S., travel to all the corners of the earth without fear and are [more than twice as likely to be self-employed](#) as Americans are. Age alone doesn't determine attitudes about risk.

The scientific evidence on aging and risk aversion is mixed. Here's a summing-up from a [2012 article](#) by Dan Ariely and six other authors:

One study found that older individuals show more risk aversion in their life insurance coverage than younger individuals ([Halek & Eisenhauer, 2001](#)). Similarly, some studies found that older investors tend to own less risky stocks than younger investors ([Hunter & Kemp, 2004](#); [McInish, 1982](#)), and have a smaller proportion of their assets in risky investments ([Jianakoplos & Bernasek, 2006](#); [Morin & Suarez, 1983](#); [Palsson, 1996](#)). However, other studies showed that when retirement status was controlled for, older people tended to have a higher proportion of their net worth invested in risky assets ([Bellante & Saba, 1986](#); [Wang & Hanna, 1997](#)). Finally, one observational study examined the relationship between demographic characteristics and risk taking among nearly a thousand contestants on the TV game show "Who Wants to Be a Millionaire" ([Daghofer, 2007](#)). The age of the contestants did not significantly predict whether they voluntarily quit the game as the stakes got higher.

There have also been studies that purport to measure risk aversion by country. One [recent attempt](#) using Gallup polling data on happiness, by Nestor Gandelman of Universad ORT in Uruguay and Ruben Hernandez-Murillo of the Federal Reserve Bank of St. Louis, found the Dutch to be among the least risk-averse people on the planet (only Zimbabwe and Belarus scored lower), while U.S. risk aversion came out on the high side (among developed countries, only France, Belgium and Taiwan scored higher, as did nine developing countries).

I'm not sure how much stock to put in that result, which uses happiness data "to estimate how fast the marginal utility of income declines as income increases using an iterated maximum likelihood procedure, assuming a constant relative risk aversion utility function." But there do seem to be a lot of indications that the famously footloose and risk-tolerant citizens of the U.S. are becoming less willing to take leaps into the unknown. Along with the entrepreneurship decline mentioned above, median job tenure has [risen markedly since 2004](#) and the percentage of Americans who change residences each year has been in a [long decline](#). As the New York Times [reported last week](#), the "typical adult" in the U.S. now "lives only 18 miles from his or her mother."

Can we blame all this on population aging? Probably not. I would bet other factors weigh heavier -- and whatever those are (economic insecurity, high housing costs, high education costs, you name it), we probably have a better shot at doing something about them than we do of stopping America from getting older.

I realize that in citing Artely by name and not the others I am falling prey to the biases that favor scientific authors who (a) are already famous and (b) have surnames that begin with "A." So here are the others, in reverse alphabetical order: Andrej Schoeke, Nina Mazar, Mara Mather, Nichole R. Lighthall, Marissa A. Gorlick and Jessica Burgeno. ↪

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