

Readme file for posted estimation programs

“How General are Risk Preferences? Choices under Uncertainty in Different Domains” by Einav, Finkelstein, Pascu, and Cullen

The files in this zip file are divided into Stata *.do files and Matlab *.m files. We list below the files and which results in the paper they generate. We also describe the content of the data files, which are used. The data is proprietary, so the actual data files cannot be posted online. For further details about obtaining access to the data files associated with these estimation programs, please contact Liran Einav (e-mail: leinav@stanford.edu) or Amy Finkelstein (e-mail: afink@mit.edu).

Stata files

Description of data files used:

- sample_080911.dta (not included) – has the final sample of 12,752 observations. The following variables are included:

Variable types	Variable names
Demographics	age, female, white, single, family_size, state_loc
Employment history	wage_amt_hr, hourly, tenure_hr, union, new_hired
Risk realization	total, rx_total, dental_total, std_days, ltd_days
401k variables	rfree_cont, alcoa_cont, total_emp_cont, rebalance, constr_401k
Choices	hi_ord, drug_ord, dental_ord, stdi_ord, ltd_ord, default
Benefit menus	allmenu, covg_tiercode
Housing	equity_share, avl_equity
Risk score	rs_fam
Health insurance prices	price_tag_1-price_tag_5
Predicted out-of-pocket for HI	proop*
Drug insurance prices	drug_price*
Drug spending by type	rx_total_*
Short-term disability prices	stdplan_price*
Long-term disability prices	ltdplan_price*
Short-term disability plans offered	stdplan_option_*
Long-term disability plan offered	ltdplan_option_*

- clean_sample_full.dta (not included) – includes employees that choose HMO or opt-out for health insurance, do not contribute to 401k or are not offered ltd coverage.

Do files:

ols_main.do – creates the following tables:

- Table 1 – (Panels A, B) – Employee Characteristics in baseline sample
- Table 3(a) – (Panel A) Correlation estimates, without controls – Spearman rank correlation, (Panel C) Correlation estimates from a multivariate regression
- Table 4(b) – Summary correlations by groups, multivariate regression
- Table 5 – (Panel B) Robustness I – Alternative specifications and samples definitions – Multivariate Regressions
- Table 6 – (Panel B) Robustness II – Non-Alcoa investments – Multivariate regression
- Table 7 – Predictive power of different variables

table2.do – creates Table 2 – Summary of benefit options.

table3b_b.do – creates Table 3(b) – Panel B – Correlation estimates, controlling for predictors of risks, from a multivariate regression, including bootstrapped p-values.

oprobit_main.do – creates the following tables:

- Table 3(a) – (Panel B) – Correlation estimates, without controls, from a system of ordered probits
- Table 4(a) – Summary correlations by groups, ordered probit specification
- Table 5 (Panel A) – Robustness I – Alternative specifications and samples definitions – system of ordered probits.
- Table 6 – (Panel A) – Robustness II – Non-Alcoa investments – system of ordered probits

table3b_a.do – creates Table 3(b) – Panel A - Correlation estimates, controlling for predictors of risks, from a system of ordered probits, including bootstrapped p-values.

Matlab files:

The code is split in three folders

- *main* - code for the specification that uses CARA or CRRA utility functions for all domains
- *d401k* – code for the specification that uses a discrete 401k measure of investment
- *mixed* – code for the specification that uses CARA for health, drug dental, and CRRA for STDI, LTDI and 401k.

In each folder, the files have a very similar structure, as follows:

run_overlap.m – main file used to set options for samples, type of utility function, grid to compute the overlap

loadData.m – reads in the data and sets up the variables needed in a structure (check this file to see the variables used in the analysis)

master.m – runs the grid and overlap subroutines

Files used to find cutoffs

fgrid.m – calls the subroutines *construct_grid_cara* and *construct_grid_crra* that compute the cutoffs for the given grid

construct_grid_crra.m – constructs the grid for the CRRA case for all domains

cutoffs_crra_health.m – finds indifference points for Health, Drug and Dental domains, CRRA insurance

cutoffs_crra_ltd.m – finds indifference points for LTD, CRRA insurance

cutoffs_crra_std.m – finds indifference points for STD, CRRA insurance

crra_diff.m – computes the utility difference between two CRRA insurance options.

ltd_diff.m – computes the utility difference between two long-term disability options under the CRRA specification.

std_diff.m – computes the utility difference between two short-term disability options under the CRRA specification.

crra.m – utility under CRRA given consumption and risk-aversion parameter

construct_grid_cara.m – constructs the grid for the CARA case for all domains

cutoffs.m – computes indifference point for CARA domains

cara_diff.m – computes the utility difference between two CARA insurance options

Files used to compute overlaps

overlap_all.m- overlap for all domains

overlap_cara.m – overlap for health, drug, dental

overlap_crra.m- overlap for short-term disability, long term disability and 401k

overlap_no401k.m – overlap insurance domains (without 401k)

write.m – file used to write results to final file