

STANFORD UNIVERSITY
DEPARTMENT OF ECONOMICS

ECONOMICS 101 (5)

FALL 2014

Economic Policy Analysis

The Demographics and Economics of Aging in the U.S.

Instructor: Gopi Shah Goda
SIEPR Gunn 221
736-0480
gopi@stanford.edu

Time and Location: Mondays/Wednesdays 1:15 – 3:05, School of Education 313

Office Hours: Mondays/Wednesdays 3:05 – 4:05 or by appointment

Teaching Assistant: Barbara Biasi

Section Time and Location: TBD

TA Office Hours: Tuesdays 11:30-1:30 or by appointment, Room TBD

Objective of the Course: To develop oral and written skills in order to analyze and convey economic ideas effectively.

Description of the Course: This class has two equally important goals: (1) to understand the role of changing demographics in the United States and its implications for policy regarding public and private institutions, and (2) to learn how to communicate economic ideas clearly and effectively in both oral and written form.

We will accomplish the first goal by investigating research and policy writings on two main topics: health care and retirement policy in the United States. You will learn about the implications of population aging for economic institutions, current research on related topics, and proposals and ideas to reform these institutions for future generations.

Along the way, we will be developing critical thinking skills to assist in the second goal of this course, improving written and oral communication in economics. As this course fulfills the Writing in the Major requirement for the economics department, there will be a series of assignments that build towards writing a final paper for the course. This paper will be on topics

related to the material presented in this course but must bring an improvement over the scope and the depth of class discussion.

Textbooks: There are no required textbooks for this course; however we will draw on material from:

- *The Craft of Research* by Wayne C. Booth, Gregory G. Colomb and Joseph M. Williams
- *Economical Writing* by Deirdre N. McCloskey
- *A Guide for the Young Economist* by William Thomson
- *The Elements of Style* by William Strunk Jr. and E. B. White

Attendance: Required.

Late assignments: Not accepted.

Economics Department Common Course Policies: All courses taught in the Stanford Department of Economics are governed by a common set of course management rules. A document explaining these rules is available at <http://economics.stanford.edu/undergraduate/economics-common-syllabus>. Please familiarize yourself with these rules and contact me if you have any questions.

Grading:

Class participation	50**
Problem set	50**
Research topic worksheet	25*
Preliminary results + outline	25*
Full paper draft	25*
Course reading presentation	50**
Final paper presentation	75**
Final paper + response to comments	200**

Total: 500 points

* Full points will be awarded if assignment is completed and turned in by due date.

** Points will be awarded based on grading criteria provided in class if assignment is completed by due date.

No late assignments will be accepted. There will be no exceptions.

A brief description of these assignments is below; more details regarding the assignments will be provided in class. Written assignments should be completed in a suitable font (e.g. Times New Roman, 12 point size) and double spaced so there is room for comments.

Class participation: You should be prepared to present the arguments made in the readings and point to potential fallacies in those arguments and will be tasked with leading the discussion of

class readings throughout the quarter. Part of the class participation grade will also come from your engagement with in-class exercises and the presentations of other students.

Problem set: You will be given step-by-step instructions to partially replicate an academic paper using a publicly-available data source and statistical software. To get full credit for the assignment, you will be asked to submit your code, the output of the code, and responses to a set of questions about the exercise.

Course reading presentation: You will be required to prepare a presentation of one course reading of your choice which you will present to the class on a specified day. Your presentation should be approximately 15 minutes and will start the class discussion of the course reading.

Research topic worksheet, preliminary results + outline, and draft of final paper: These assignments will help you make progress towards your final paper. The first two will be discussed during required meetings with the professor and teaching assistant. We will provide you with detailed comments on the draft of your final paper.

Final paper presentation: Each student will do a 10-12 minute oral presentation of their paper to the class. It is recommended that you use PowerPoint slides that boil your paper down to the main points of your analysis in a clear and concise manner.

Final paper + response to comments: Your final paper should be 10-12 pages in length (not including tables, figures and references) and make a substantive economic argument backed up by evidence. Revisions of the paper between the first and final draft of your paper are *required* and you must also provide written responses to each of the detailed comments provided on your first draft. The grading of the final paper will be based on how well and how completely you respond to the comments you are given on your first draft.

Course Schedule and Due Dates:

<i>Week</i>	<i>Date</i>	<i>Topic</i>	<i>Assignment Due</i>
1	9/22	Introduction: Demographics and Aging	
	9/24		
2	9/29	Topic 1: Health Care and the Elderly in the United States	
	10/1		
3	10/6		
	10/8		Problem Set
4	10/13	No Class; Meet with Professor/TA about Research Question	Research Topic Worksheet
	10/15		
5	10/20	Topic 2: Health Insurance and the Labor Market	
	10/22		
6	10/27	No Class; Meet with Professor/TA about Preliminary Results	Preliminary Results + Outline
	10/29		
7	11/3	Topic 3: Social Security, Pensions and Saving for Retirement	
	11/5		
8	11/10	Topic 4: Disability Insurance and Long-Term Care	
	11/12		Final Paper Draft
9	11/17		
	11/19		
10	11/24	No Class (Thanksgiving)	
	11/26		
11	12/1	Final Paper Presentations	
	12/3		
	12/5	Final Paper + Response to Comments (due at 5pm)	

Reading List (*subject to change*)

Bold indicates paper available for student presentation.

Introduction: Demographics and Aging

Lecture 1 (September 22): *Why care about aging?*

- Ben S. Bernanke (2006), “The Coming Demographic Transition: Will We Treat Future Generations Fairly?” Remarks by Chairman Ben S. Bernanke before the Washington Economic Club, October 4, 2006,
<http://www.federalreserve.gov/newsevents/speech/bernanke20061004a.htm>
- CBO (2014), “Long-Term Budget Outlook,” <http://www.cbo.gov/publication/45471>
- Fiscal Commission (2010), “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,”
http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf
- John B. Shoven (2007), “New Age Thinking: Alternative Ways of Measuring Age, Their Relationship to Labor Force Participation, Government Policies, and GDP,” NBER Working Paper 13476.

Lecture 2 (September 24): *Demographic trends*

- Ronald Lee (2003), “The Demographic Transition: Three Centuries of Fundamental Change,” *Journal of Economic Perspectives*, 17(4), pp. 167-190.
- Linda G. Martin, Robert F. Schoeni, and Patricia M. Andreski (2010), “Trends in Health of Older Adults in the United States: Past, Present, Future,” *Demography*, 47, pp. S17-S40.
- Technical Panel on Assumptions and Methods (2011), Report to the Social Security Advisory Board, http://www.ssab.gov/Reports/2011_TPAM_Final_Report.pdf
- CBO (2011), “Labor Force Projections Through 2021,”
<http://www.cbo.gov/doc.cfm?index=12052>
- CEA (2014), “The Labor Force Participation Rate Since 2007: Causes and Policy Implications,”
http://www.whitehouse.gov/sites/default/files/docs/labor_force_participation_report.pdf
- Gopi Shah Goda and John B. Shoven (2008), “Adjusting Government Policies for Age Inflation,” NBER Working Paper 14231.

Topic 1: Health Care and the Elderly in the United States

Lecture 3 (September 29): *Health care spending and geographic variation*

- Jonathan S. Skinner, Douglas O. Staiger, and Elliott S. Fisher (2006), “Is Technological Change In Medicine Always Worth It? The Case of Acute Myocardial Infarction.” *Health Affairs* 25 (2):W34–W47.

- Joseph P. Newhouse and Alan M. Garber (2013), “Geographic Variation in Medicare Services,” *New England Journal of Medicine*, 368, pp. 1465-1468.
- Joseph P. Newhouse and Alan M. Garber (2013), “Geographic Variation in Health Care Spending in the United States,” *Journal of the American Medical Association*, 310 (12), pp. 1227-1228.
- David Molitor (2011), “The Evolution of Physician Practice Styles: Evidence from Cardiologist Migration,” mimeo.
- Amy Finkelstein, Matthew Gentzkow and Heidi Williams (2014), “Sources of Geographic Variation in Health Care: Evidence from Patient Migration,” mimeo.

Lecture 4 (October 1): *Health insurance and utilization*

- Willard Manning, Joseph Newhouse, Naihua Duan, Emmett Keeler, Arleen Leibowitz, and Susan Marquis (1987), “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment,” *American Economic Review*, 77(3), pp. 251-277.
- **Amy Finkelstein (2007), “The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare,” *Quarterly Journal of Economics*, 122(1), pp. 1-37.**
- **David Card, Carlos Dobkin, Nicole Maestas (2008), “The Impact of Nearly Universal Insurance Coverage on Health Care Utilization and Health: Evidence from Medicare,” *American Economic Review*, 98(5), pp. 2242-2258.**
- **Amy Finkelstein, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph Newhouse, Heidi Allen, Katherine Baicker and the Oregon Health Study Group (2012), “The Oregon Health Insurance Experiment: Evidence from the First Year,” *Quarterly Journal of Economics*, 127(3), pp. 1057-1106.**

Lecture 5 (October 6): *Effects of health care spending on health*

- Joseph P. Newhouse (1992), “Medical Care Costs: How Much Welfare Loss?” *Journal of Economic Perspectives*, 6(3), pp. 3-21.
- David Cutler and Mark McClellan (2001), “Is Technological Change in Medicine Worth It?” *Health Affairs*, 20(5), pp. 11-29.
- Katherine Baicker and Amitabh Chandra (2004), “Medicare Spending, The Physician Workforce, and Beneficiaries’ Quality of Care,” *Health Affairs*, W4, pp. 184-197.
- **Amy Finkelstein and Robin McKnight (2008), “What Did Medicare Do? The Initial Impact of Medicare on Mortality and Out of Pocket Medical Spending,” *Journal of Public Economics*, 92(7), pp. 1644-1669.**
- **David Card, Carlos Dobkin, Nicole Maestas (2009), “Does Medicare Save Lives?” *Quarterly Journal of Economics*, 124(2), pp. 597-636.**
- **Douglas Almond, Joseph J. Doyle Jr., Amanda E. Kowalski, and Heidi Williams (2010), “Estimating Marginal Returns to Medical Care: Evidence from At-risk Newborns,” *Quarterly Journal of Economics*, 125(2), pp. 591-634.**

Lecture 6 (October 8): *Health care reform*

- Sarah Miller (2012), “The Effect of Insurance on Emergency Room Visits: An Analysis of the 2006 Massachusetts Health Reform,” *Journal of Public Economics*, 96(11), pp. 893-908.
- Jonathan Kolstad and Amanda Kowalski (2012), “The Impact of Health Care Reform on Hospital and Preventive Care: Evidence from Massachusetts,” *Journal of Public Economics*, 96(11), pp. 909-929.
- Charles J. Courtemanche and Daniela Zapata (2014), “Does Universal Coverage Improve Health? The Massachusetts Experience,” *Journal of Policy Analysis and Management*, 33(1), pp. 36-69.
- Yaa Akosa Antwi, Asako S. Moriya and Kosali Simon (2013), “Effects of Federal Policy to Insure Young Adults: Evidence from the 2010 Affordable Care Act’s Dependent-Coverage Mandate,” *American Economic Journal: Economic Policy*, 5(4), pp. 1-28.
- Yaa Akosa Antwi, Asako S. Moriya and Kosali Simon (2014), “Access to Health Insurance and the Use of Inpatient Medical Care: Evidence from the Affordable Care Act Young Adult Mandate,” NBER Working Paper 20202.

Topic 2: Health Insurance and the Labor Market

Lecture 7 (October 20): *Health insurance and job mobility*

- CBO (2014), “Appendix C: Labor Market Effects of the Affordable Care Act: Updated Estimates,” from *The Budget and Economic Outlook: 2014 to 2024*, available at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-breakout-AppendixC.pdf>.
- Brigitte C. Madrian (1994), “Employment-Based Health Insurance and Job Mobility: Is There Evidence of Job Lock?,” *Quarterly Journal of Economics* 109(1), pp. 27-54.
- Katherine Baicker, Amy Finkelstein, Jae Song, and Sarah Taubman, (2014), “The Impact of Medicaid on Labor Market Activity and Program Participation: Evidence from the Oregon Health Insurance Experiment,” *American Economic Review: Papers and Proceedings*, 104(5), pp. 322-328.
- Craig Garthwaite, Tal Gross and Matthew Notowidigdo (2013), “Public Health Insurance, Labor Supply, and Employment Lock,” *Quarterly Journal of Economics*, forthcoming.
- Laura Dague, Thomas Deleire, and Lindsey Leininger (2014), “The Effect of Public Insurance Coverage for Childless Adults on Labor Supply,” NBER Working Paper 20111.

Lecture 8 (October 22): *Health insurance and retirement*

- Brigitte Madrian (1994), “The Effect of Health Insurance on Retirement,” *Brookings Papers on Economic Activity*, 1994(1), pp. 181-232.
- Jonathan Gruber and Brigitte C. Madrian (1995). “Health Insurance Availability and the Retirement Decision,” *American Economic Review* 85(4): 938-948.

- Steven Nyce, Sylvester Schieber, John B. Shoven, Sita Slavov, and David A. Wise (2013), “Does Retiree Health Insurance Encourage Early Retirement?” *Journal of Public Economics*, 104, pp. 40-51.
- Maria Fitzpatrick (2013), “Retiree Health Insurance for Public School Employees: Does it Affect Retirement and Mobility?” NBER Working Paper 19524.

Topic 3: Social Security, Pensions and Saving for Retirement

Lecture 9 (November 3): *Social Security, pensions and labor supply*

- CBO (2001), “Social Security: A Primer,” Chapter 2, pp. 13-28.
<http://www.cbo.gov/ftpdocs/32xx/doc3213/EntireReport.pdf>
- John B. Shoven and Sita Nataraj Slavov (2014), “Does it Pay to Delay Social Security?”, *Journal of Pension Economics and Finance*, 13(2), pp. 121-144.
- Courtney C. Coile and Jonathan Gruber (2007), “Future Social Security Entitlements and the Retirement Decision,” *Review of Economics and Statistics*, 89(2), pp. 234-246.
- Brendan Cushing-Daniels and Richard W. Johnson (2008), “Employer Sponsored Pensions: A Primer,” The Retirement Policy Project, Urban Institute,
http://www.urban.org/UploadedPDF/901144_employer-sponsored_pensions.pdf
- Patrick Purcell (2007), “Summary of the Pension Protection Act of 2006,” CRS Report for Congress, <http://aging.senate.gov/crs/pension8.pdf>
- Patrick Purcell and Jennifer Staman (2009), “Summary of the Employee Retirement Income Security Act,” <http://aging.senate.gov/crs/pension7.pdf>
- Alicia H. Munnell and Mauricio Soto (2007), “State and Local Pensions are Different from Private Plans,” Center for Retirement Research at Boston College,
http://crr.bc.edu/wp-content/uploads/2007/11/slp_1.pdf
- Robert Novy-Marx and Joshua D. Rauh (2009), “The Liabilities and Risks of State-Sponsored Pension Plans,” *Journal of Economic Perspectives*, 23(4), pp. 191-210.
- Joshua Rauh and Robert Novy-Marx (2010), “Policy Options for State Pension Systems and Their Impact on Plan Liabilities,” NBER Working Paper 16453.
- **Jeffrey B. Liebman, Erzo F. P. Luttmer and David G. Seif (2009), “Labor Supply Responses to Marginal Social Security Benefits: Evidence from Discontinuities”, *Journal of Public Economics*, 93(11-12), pp. 1119-1284.**
- **Kristine Brown (2013), “The Link between Pensions and Retirement Timing: Lessons from California Teachers,” *Journal of Public Economics*, 98, pp. 1-14.**

Lecture 10 (November 5): *Social Security reform*

- Center for Retirement Research (2009), “The Social Security Fix-It Book,”
http://crr.bc.edu/images/stories/Special%20Projects/social_security_fix-it_book.pdf
- Peter A. Diamond and Peter R. Orszag (2005), “Saving Social Security,” *Journal of Economic Perspectives*, 19(2), pp. 11-32.

- Robert Pozen, Sylvester J. Schieber and John B. Shoven (2004), “Improving Social Security’s Progressivity and Solvency with Hybrid Indexing,” *American Economic Review*, 94(2), pp. 187-191.
- Fiscal Commission (2010), “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,”
http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf
- CBO (2010), “An Analysis of the Roadmap for America’s Future Act of 2010,”
<http://cbo.gov/ftpdocs/108xx/doc10851/01-27-Ryan-Roadmap-Letter.pdf>
- SSA (2010), “Estimates of the OASDI Financial Effects of Restoring America's Future - a plan developed by the Bipartisan Policy Center's Debt Reduction Task Force,”
http://www.ssa.gov/OACT/solvency/BipartisanTaskForce_20101117.pdf
- **Giovanni Mastrobuoni (2009), “Labor Supply Effects of the Recent Social Security Benefit Cuts: Empirical Estimates Using Cohort Discontinuities,”** *Journal of Public Economics*, 93:11-12, pp. 1224-1233
- **Luc Behaghel and David M. Blau (2012), “Framing Social Security Reform: Behavioral Responses to Changes in the Full Retirement Age.”** *American Economic Journal: Economic Policy*, 4(4), pp. 41-67.

Lecture 11 (November 10): *401(k)s and saving for retirement*

- William G. Gale, Eric M. Engen, and John Karl Scholz (1996), “The illusory effects of saving incentives on saving,” *Journal of Economic Perspectives*, 10(4), pp. 113-38.
- James M. Poterba, Steven F. Venti, and David A. Wise (1996), “How retirement saving programs increase saving,” *Journal of Economic Perspectives*, 10, pp. 91-112.
- B. Douglas Bernheim (2002), “Taxation and Saving,” in A.J. Auerbach and M. Feldstein, eds., *Handbook of Public Economics*, Volume 3, p. 1173-1249.
- Justine S. Hastings, Brigitte C. Madrian, and William L. Skimmyhorn (2012), “Financial Literacy, Financial Education and Economic Outcomes,” NBER Working Paper 18412.
- Shlomo Benartzi and Richard H. Thaler (2007), “Heuristics and Biases in Retirement Savings Behavior,” *Journal of Economic Perspectives*, pp. 81-104.
- **Raj Chetty, John N. Friedman, Soren Leth-Petersen, Torben Nielsen, and Tore Olsen (2013), “Active vs. Passive Decisions and Crowdout in Retirement Savings Accounts: Evidence from Denmark,”** forthcoming, *Quarterly Journal of Economics*.

Topic 4: Disability Insurance and Long-Term Care

Lecture 12 (November 12): *Social Security Disability Insurance expenditures and take-up*

- Umar Moulta-Ali (2013), “Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI),” CRS Report for Congress,
http://digitalcommons.ilr.cornell.edu/key_workplace/1146/
- David H. Autor and Mark G. Duggan (2006), “The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding,” *Journal of Economic Perspectives*, 20(3), pp. 71-96.

- Mark G. Duggan (2013), “The Rise in SSDI Enrollment, the Impact on the Labor Market, and the Need for Reform,” Testimony to the Committee on Ways and Means, June 19, 2013. http://waysandmeans.house.gov/uploadedfiles/duggan_testimony_61913ss.pdf
- Stephen C. Goss (2014), “The Foreseen Trend in the Cost of Disability Insurance Benefits,” Testimony to the Senate Committee on Finance, July 24, 2014. http://www.ssa.gov/oact/testimony/SenateFinance_20140724.pdf
- **Mark Duggan, Perry Singleton, and Jae Song (2007), “Aching to Retire? The Rise in the Full Retirement Age and its Impact on the Social Security Disability Rolls,” *Journal of Public Economics*, 91(7), pp. 1327-1350.**

Lecture 13 (November 17): *Effects of disability insurance on labor supply*

- Donald O. Parsons (1980), “The Decline in Male Labor Force Participation,” *Journal of Political Economy*, 88 (1), pp. 117–34.
- John Bound (1989), “The Health and Earnings of Rejected Disability Insurance Applicants,” *American Economic Review*, 79 (3), pp. 482–503.
- **Susan Chen and Wilbert van der Klaauw (2008), “The Work Disincentive Effects of the Disability Insurance Program in the 1990s,” *Journal of Econometrics*, 142 (2), pp. 757–84.**
- **Nicole Maestas, Kathleen J. Mullen and Alexander Strand (2013), “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt,” *American Economic Review*, 103(5), pp. 1797-1829.**
- **Eric French and Jae Song (2014), “The Effect of Disability Insurance Receipt on Labor Supply,” *American Economic Journal: Economic Policy*, forthcoming.**

Lecture 14 (November 19): *Economics of long-term care*

- David C. Grabowski, Edward C. Norton, and Courtney Harold Van Houtven (2012), “Informal care.” Chapter 30, pp. 318-328 in *The Elgar Companion to Health Economics, Second Edition*, A.M. Jones, ed. Northampton, MA: Edward Elgar.
- Jeffrey R. Brown and Amy Finkelstein (2011), “Insuring Long-Term Care in the United States,” *Journal of Economic Perspectives*, 25(4), pp. 119-142.
- Jeffrey R. Brown, Gopi Shah Goda and Kathleen McGarry (2012), “Long-Term Care Insurance Demand Limited by Beliefs about Needs, Concerns about Insurers, and Care Available from Family,” *Health Affairs*, 31(6), pp. 1294-1302.
- **Gopi Shah Goda (2011), “The Effect of State Tax Subsidies for Private Long-Term Care Insurance on Coverage and Medicaid Expenditures,” *Journal of Public Economics*, 95(7), pp. 744-757.**