

STANFORD UNIVERSITY  
DEPARTMENT OF ECONOMICS

ECONOMICS 101 (5)

SPRING 2011

Economic Policy Analysis

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

**Instructor:** Gopi Shah Goda  
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**Time and Location:** Tuesdays/Thursdays 10:00 – 11:50, Building 160, Room 323

**Office Hours:** Wednesdays 1:00 – 3:00 or by appointment

**Teaching Assistant:** Alex Wong ([hlwong@stanford.edu](mailto:hlwong@stanford.edu))

**TA Office Hours:** TBA

**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	10%
Policy brief #1	10%
Policy brief #2	10%
Annotated bibliography	5%
One-page description of topic	5%
Detailed outline	5%
Draft of final paper	15%
Peer review	5%
Final paper presentation	10%
Final paper	25%

A brief description of these assignments is below; handouts describing the assignments in further detail 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. **No late assignments will be accepted.**

*Class participation:* You should be prepared to participate in class discussion based on the readings. You should be able to explain the issues to be discussed in class, present the arguments, and point to potential fallacies in those arguments. Part of the class discussion grade will also come from your engagement with in-class exercises, small group discussions, and the presentations of other students.

*Policy briefs:* You will be asked to complete two 4-5 page policy briefs which describe and critically evaluate an academic paper to a lay audience.

*One-page topic description, detailed outline, annotated bibliography, and draft of final paper:* These four assignments will help you facilitate discussion of your topic among your peers and help you make progress towards your final paper.

*Peer review:* You will be assigned to a group with one or two other people in the class. You will read through your partner’s draft and make written comments on the substance and form of the draft.

*Final paper presentation:* Each student will do a 15 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:* 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. The final paper you hand in should be a substantially revised of your draft which takes into consideration comments received from your peers, the teaching assistant, and the instructor.

**Course Schedule and Due Dates:**

<i>Week</i>	<i>Date</i>	<i>Topics</i>	<i>Assignment Due</i>
1	3/29	Introduction: Demographics and Aging	
	3/31		
2	4/5	Topic 1: Work and Retirement	
	4/7		Policy Brief #1
3	4/12	Topic 2: Health Policy and Aging	
	4/14		Research Question
4	4/19	Topic 3: Entitlement Reform	
	4/21		Policy Brief #2
5	4/26	Small Group Discussion #1	
	4/28		Annotated Bibliography
6	5/3	Writing: Organization and Structure	One-Page Description of Topic
	5/5	Small Group Discussion #2	
7	5/10	Writing: Style and Mechanics	Detailed Outline
	5/12	Conducting Peer Review (Hume Center)	
8	5/17	Powerful PowerPoint (Hume Center)	Final Paper Draft for Peer Review
	5/19	No Class; individual meetings with instructor	
9	5/24	Final Paper Presentations	Peer Review
	5/26		
10	5/31		
Finals Week	6/7		Final Paper

## Reading List (*subject to change*)

**Bold** indicates reading to prepare for class discussion.

### **Introduction: Demographics and Aging**

#### Lecture 1: March 29

##### 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 (2010), “Long-Term Budget Outlook,” <http://www.cbo.gov/doc.cfm?index=11579>
- 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](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: March 31

##### Demographic Trends

- **Gopi Shah Goda and John B. Shoven (2008), “Adjusting Government Policies for Age Inflation,” NBER Working Paper 14231.**
- 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 (2007), Report to the Social Security Advisory Board, [http://www.ssab.gov/documents/2007\\_TPAM\\_REPORT\\_FINAL\\_copy.PDF](http://www.ssab.gov/documents/2007_TPAM_REPORT_FINAL_copy.PDF)
- CBO (2011), “Labor Force Projections Through 2021,” <http://www.cbo.gov/doc.cfm?index=12052>

## **Topic 1: Work and Retirement**

### Lecture 3: April 5

#### Social Security

- CBO (2001), “Social Security: A Primer,” Chapter 2, pp. 13-28.  
<http://www.cbo.gov/ftpdocs/32xx/doc3213/EntireReport.pdf>
- **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.
- Jeffrey R. Brown, Julia Lynn Coronado, and Don Fullerton (2006), “The Progressivity of Social Security,” NBER RRC Paper NB06-10,  
<http://www.nber.org/programs/ag/rrc/NB06-10%20Brown,%20Coronado,%20Fullerton%20FINAL.pdf>
- Gopi Shah Goda, John B. Shoven, and Sita Nataraj Slavov (2009), “Removing the Disincentives in Social Security for Long Careers,” in Jeffrey R. Brown, Jeffrey B. Liebman, and David A. Wise (ed.) *Social Security Policy in a Changing Environment*, Chicago: University of Chicago Press.

### Lecture 4: April 7

#### Public and Private Pensions

Required:

- 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](http://www.urban.org/UploadedPDF/901144_employer-sponsored_pensions.pdf)
- **Gopi Shah Goda and Colleen F. Manchester (2011), “Incorporating Heterogeneity into Default Rules for Retirement Plan Selection,”** NBER Working Paper 16099.
- Numerous studies about state and local pensions by Center for Retirement Research at Boston College researchers available at  
[http://crr.bc.edu/special\\_projects/state\\_and\\_local\\_pension\\_plans.html](http://crr.bc.edu/special_projects/state_and_local_pension_plans.html)
- **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.
- Patrick Purcell (2007), “Summary of the Pension Protection Act of 2006,” CRS Report for Congress, <http://aging.senate.gov/crs/pension8.pdf>

### Lecture 5: April 12

#### Health and Disability Insurance

- **Brigitte Madrian (1994), “The Effect of Health Insurance on Retirement,”** *Brookings Papers on Economic Activity*, **1994(1)**, pp. 181-232.

- Scott Szymendera (2010), “Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI),” CRS Report for Congress, <http://aging.senate.gov/crs/ss27.pdf>
- Jonathan Gruber and Brigitte C. Madrian (2002), “Health Insurance, Labor Supply, and Job Mobility: A Critical Review of the Literature,” NBER Working Paper 8817.
- Gopi Shah Goda, John B. Shoven and Sita Nataraj Slavov (2007), “A Tax on Work for the Elderly: Medicare as a Secondary Payer,” NBER Working Paper 13383.

## **Topic 2: Health Policy and Aging**

### Lecture 6: April 14

#### Health Care Costs

- Kaiser Family Foundation (2009), “Trends in Health Care Costs and Spending,” [http://www.kff.org/insurance/upload/7692\\_02.pdf](http://www.kff.org/insurance/upload/7692_02.pdf)
- **Joseph P. Newhouse (1992), “Medical Care Costs: How Much Welfare Loss?” *Journal of Economic Perspectives*, 6(3), pp. 3-21.**
- Andrea M. Sisco, Christopher J. Truffer, Sean P. Keehan, John A. Poisal, M. Kent Clemens and Andrew J. Madison (2010), “National Health Spending Projections: The Estimated Impact of Reform Through 2019,” *Health Affairs*, 29(10), pp. 1933-1941.
- John B. Shoven (2004), “The Impact of Major Improvements in Life Expectancy on the Financing of Social Security, Medicare, and Medicaid,” in Henry J. Aaron and William B. Schwartz (ed.) *Coping with Methuselah: The Impact of Molecular Biology on Medicine and Society*, Washington D.C.: Brookings Institution, pp. 166-193.

### Lecture 7: April 19

#### Medicare

- Kaiser Family Foundation (2010), “Medicare: A Primer,” <http://www.kff.org/medicare/upload/7615-03.pdf>
- Kaiser Family Foundation (2011), “The Role of Medicare for the People Dually Eligible for Medicare and Medicaid,” <http://www.kff.org/medicare/upload/8138.pdf>
- Amy Finkelstein (2007), “The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare,” *Quarterly Journal of Economics*, 122(1), pp. 1-37.
- 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 (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.**
- Daron Acemoglu, David Cutler, Amy Finkelstein and Joshua Linn (2006), “Did Medicare Induce Pharmaceutical Innovation?” *American Economic Review*, 96(2), pp. 103-107.

### Lecture 8: April 21

### Long-Term Care and Medicaid

- Julie Stone (2010), “Long-Term Care: Financing Overview and Issues for Congress,” Congressional Research Service Report, <http://aging.senate.gov/crs/aging27.pdf>
- Kaiser Family Foundation (2011), “Medicaid and Long-Term Care Services and Supports,” <http://kff.org/medicaid/upload/2186-08.pdf>.
- Courtney Harold Van Houtven and Edward C. Norton (2004), “Informal Care and Health Care Use of Older Adults,” *Journal of Health Economics*, 23(6), pp. 1159-1180.
- **Jeffrey Brown and Amy Finkelstein (2008), “The Interaction of Public and Private Insurance: Medicaid and the Long-Term Insurance Market,” *American Economic Review*, 98(3), pp. 1083-1102.**
- Jeffrey Brown, Norma Coe and Amy Finkelstein (2007), “Medicaid Crowd-Out of Private Long-Term Care Insurance Demand: Evidence from the Health and Retirement Study,” *Tax Policy and the Economy*, 21, pp. 1-34. <http://econ-www.mit.edu/files/790>
- Gopi Shah Goda (2010), “The Effect of State Tax Subsidies for Private Long-Term Care Insurance on Coverage and Medicaid Expenditures,” *Journal of Public Economics*, forthcoming.

### Topic 3: Entitlement Reform

Lecture 9: April 26

#### 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](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](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](http://www.ssa.gov/OACT/solvency/BipartisanTaskForce_20101117.pdf)

#### Medicare Reform

- **Ezekiel J. Emanuel and Victor R. Fuchs (2005), “Health Care Vouchers – A Proposal for Universal Coverage,”** *New England Journal of Medicine*, 352, pp. 1255-1260.
- Kaiser Family Foundation (2010), “Focus on Health Reform: Summary of New Health Reform Law,” <http://www.kff.org/healthreform/upload/8061.pdf>
- **David Cutler (2010), “How Health Care Reform Must Bend the Cost Curve,”** *Health Affairs*, 29(6), pp. 1131-1135.
- **Doug Holtz-Eakin and Michael J. Ramlet (2010), “Health Care Reform is Likely to Widen Federal Budget Deficits, Not Reduce Them,”** *Health Affairs*, 29(6), pp. 1136-1141.
- 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>