

STANFORD UNIVERSITY
DEPARTMENT OF ECONOMICS

ECONOMICS 101 (5)

SPRING 2013

Economic Policy Analysis

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

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Time and Location: Mondays/Wednesdays 1:15 – 3:05, Room 200-202

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

Teaching Assistant: Michela Giorcelli

Section Time and Location: Fridays 10:00 – 10:50, School of Education 36

TA Office Hours: Fridays 11:00 – 11:50, Room TBD or by appointment

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** |
| Policy brief | 50** |
| Research topic worksheet | 25* |
| Data/methodology/results section | 25* |
| Final paper draft | 25* |
| Peer review | 25* |
| Proof of writing center consultation | 25* |
| Final paper presentation | 75** |
| Final paper | 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.

Policy brief: You will be asked to complete a 3-5 page policy brief which describes and critically evaluates an academic paper for a lay audience. You may choose from a list of papers that will be provided in class or you may write about a paper you choose yourself with prior approval from the professor.

Research topic worksheet, data/methodology/results section, and draft of final paper: These assignments will help you make progress towards your final paper. Each of these will be discussed during required meetings with the professor and teaching assistant.

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. Note: if you do not turn in your final paper draft in time to receive credit, you forfeit your opportunity to obtain credit for the peer review assignment.

Proof of writing center consultation: You will be asked to meet with a consultant at the Hume Writing Center about your final paper draft and provide written proof of your consultation.

Final paper presentation: Each student will do a 10-15 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 professor.

Course Schedule and Due Dates:

| <i>Week</i> | <i>Date</i> | <i>Topic</i> | <i>Assignment Due</i> |
|-------------|-------------|---|----------------------------------|
| 1 | 4/1 | Introduction: Demographics and Aging | |
| | 4/3 | | |
| 2 | 4/8 | How to Read Empirical Papers/Developing a Research Question and Methodology | |
| | 4/10 | | |
| 3 | 4/15 | Topic 1: Health Care and the Elderly | Policy Brief |
| | 4/17 | | |
| 4 | 4/22 | No Class; Meet with Professor/TA about Research Question | Research Topic Worksheet |
| | 4/24 | Topic 2: Social Security | |
| 5 | 4/29 | | |
| | 5/1 | How to Write an Empirical Paper: Data, Methods, Results | |
| 6 | 5/6 | Topic 3: Pensions and Health Insurance | |
| | 5/8 | | Data/Methodology/Results Section |
| 7 | 5/13 | No Class; Meet with Professor/TA about Research Methodology | |
| | 5/15 | How to Write an Empirical Paper: Introduction, Lit Review, Discussion, Conclusion | |
| 8 | 5/20 | Conducting Peer Review/In Class Peer Review | Final Paper Draft |
| | 5/22 | No Class; Meet with Professor/TA about Paper Draft | Peer Review |
| 9 | 5/27 | No Class; Memorial Day | |
| | 5/29 | Preparing your Slides/Revising your Draft | |
| 11 | 6/3 | Final Paper Presentations | |
| | 6/5 | | |
| | 6/7 | Final Paper + Proof of Writing Center Consultation (due by 5pm) | |

Reading List (*subject to change*)

Bold indicates reading to prepare for class discussion.

Introduction: Demographics and Aging

April 1: *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 (2011), “Long-Term Budget Outlook,” <http://www.cbo.gov/doc.cfm?index=12212>
- 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.

April 3: *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
- CBO (2011), “Labor Force Projections Through 2021,”
<http://www.cbo.gov/doc.cfm?index=12052>

Topic 1: Health Care and the Elderly

April 10: *Health Care in the U.S.*

- Kaiser Family Foundation (2009), “Trends in Health Care Costs and Spending,”
http://www.kff.org/insurance/upload/7692_02.pdf
- Kaiser Family Foundation (2010), “Focus on Health Reform: Summary of New Health Reform Law,” <http://www.kff.org/healthreform/upload/8061.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.
- “Four Proposals for Restraining Federal Health Care Spending”

April 15: *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.
- **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 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.
- Daron Acemoglu, David Cutler, Amy Finkelstein and Joshua Linn (2006), “Did Medicare Induce Pharmaceutical Innovation?” *American Economic Review*, 96(2), pp. 103-107.

April 17: *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 (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.

Topic 2: Social Security

April 24: *How it works and what it does*

- 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.

April 29: *How to fix it*

- **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

Topic 3: Pensions and Health/Disability Insurance

May 6: *Public and Private Pensions*

- 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>
- **Gopi Shah Goda and Colleen F. Manchester (2011), “Incorporating Heterogeneity into Default Rules for Retirement Plan Selection,” NBER Working Paper 16099.**
- 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/images/stories/Briefs/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.

May 8: *Health and Disability Insurance*

- 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>
- Nicole Maestas, Kathleen J. Mullen and Alexander Strand (2011), “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt,” RAND Working Paper WR-853-2, http://www.rand.org/content/dam/rand/pubs/working_papers/2011/RAND_WR853-2.pdf
- **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 (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.