

Health Economics
University of Hawaii at Manoa
Department of Economics
Professor Timothy Halliday
ECON 674
Time: MW 1:30 – 2:45
Office Hours: F 1:00 – 2:00

Objectives:

This is a second year graduate course on Health Economics. It is designed to provide students with a thorough overview of many topics in Health Economics. As the field is very broad, we will not provide a thorough overview of every topic. Instead, we will choose four or five topics (many of which are interrelated) and concentrate on those. The course will primarily focus on empirical work. However, it will also broach some theory at points. The primary objective of this course is to acquaint graduate students with both classic and frontier work in the field with the ultimate aim of preparing you for serious research in empirical micro-economics.

Readings:

The readings will primarily be from journal articles. These articles should all be available from the library's electronic resources. However, some others will be available on the web as working papers. Links will be provided on this syllabus when possible. Some books will also be useful such as:

Deaton, Angus, *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*, 1997, The Johns Hopkins University Press: Baltimore, MD.

Folland, Sherman, Allen C. Goodman and Miron Stano. *The Economics of Health and Health Care*, 2004, Pearson Prentice Hall: Upper Saddle River, NJ.

Manski, Charles, *Identification Problems in the Social Sciences*, 1995, Harvard University Press: Cambridge, MA.

The book on household surveys is a must for anyone serious about working in empirical micro. We will draw heavily upon this book. The book on the economics of health care is a good resource for anyone who wants a non-technical overview of how the market for health care functions, particularly in the US. It is available at the book store. Manski's book provides an excellent discussion on many important methodological concerns in the social sciences. While an excellent book, however, its use will only be peripheral in this course.

Grading:

Your grade will be determined by a problem set on empirical techniques commonly used in the field (20%), an in-class presentation (30%) and a take home final (50%).

Course Structure

The course will consist of five sections. Section 1 will focus on the demand for health and its inputs. Section 2 will focus on the effects of health on economic behavior. Section 3 will be devoted to empirical methodologies that are commonly employed in Health Economics and Empirical Micro-economics, more broadly. Section 4 will focus on the market for health care and health insurance. Section 5 (if time permits) will focus on interdisciplinary work on the gradient or the statistical correlation between health and wealth. In addition, there will be occasional econometric digressions as we encounter new empirical techniques in our readings.

Section 1: The Demand for Health and Its Inputs

Health Investment: Weeks 1 and 2 – August 22, 24 and 29

Grossman, Michael, “On the Concept of Health Capital and the Demand for Health,” *Journal of Political Economy*, 80(2), 1972, 223-255.

[Fuchs, Victor, “Time Preference and Health: An Exploratory Study,” NBER Working Paper No. 539.](#)

[Case, Anne and Angus Deaton, “Broken Down by Work and Sex: How Our Health Declines,” in David Wise \(ed.\), *Analyses in the Economics of Aging*, 2005, University of Chicago Press: Chicago, IL.](#)

Becker, Gary, Michael Grossman and Kevin Murphy, “An Empirical Analysis of Cigarette Addiction,” *American Economic Review*, 84(3), 1994, 396-418.

Ruhm, Christopher, “Are Recessions Good for Your Health,” *Quarterly Journal of Economics*, 115(2), 2000, 617-650.

Ruhm, Christopher, “Healthy Living in Hard Times,” *Journal of Health Economics*, 24(2), 2005, 341-363.

Dehejia, Rajeev and Adriana Lleras-Muney, “The Timing of Births: Is the Health of Infants Counter-Cyclical,” *Quarterly Journal of Economics*, 119(3), 2004, 1091-1131.

Household Demand for Food: Weeks 2 and 3 – August 31, September 7 and 12

Deaton, Angus and Shankar Subramanian, “The Demand for Food and Calories,” *Journal of Political Economy*, 104(1), 1996, 133-162.

Non-parametric Estimation from *Analysis of Household Surveys* (AHS), pp. 169-182 and pp. 191-194.

Deaton, Angus, Javier Ruiz-Castillo and Duncan Thomas, "The Influence of Household Composition on Household Expenditure Patterns: Theory and Spanish Evidence." *Journal of Political Economy*, 97(1), 1989, 179-200.

Equivalence Scales from AHS, pp. 241-268.

Deaton, Angus and Chris Paxson, "Economies of Scale, Household Size and the Demand for Food," *Journal of Political Economy*, 106(5), 897-930.

Intra-Household Allocation: Weeks 3 and 4 – September 14, 19 and 21

Intra-Household Allocation from AHS, pp. 223-240.

Chiappori, Pierre-Andre, "Collective Labor Supply and Welfare," *Journal of Political Economy*, 100(3), 1992, 437-467.

Browning, Martin, Francois Bourguignon, Pierre-Andre Chiappori and Valerie Lechene, "Income and Outcomes: A Structural Model of Intra-household Allocation," *Journal of Political Economy*, 102(6), 1994, 1067-1096.

[Duflo, Esther, "Grandmothers and Granddaughters: Old Age Pension and Intra-Household Allocation in South Africa," NBER Working Paper No. 8061.](#)

Murthi, Mamta, Anne-Catherine Guio and Jean Dreze, "Mortality, Fertility and Gender Bias in India: A District Level Analysis," *Population and Development Review*, 21(4), 1995, 745-782.

Section 2: The Impact of Health on Economic Behavior

The Effects of Health on Household Behavior: September 26 and 28

Strauss, John and Duncan Thomas, "Health, Nutrition and Economic Development," *Journal of Economic Literature*, 36(2), 1998, 766-817.

Strauss, John and Duncan Thomas, "Human Resources: Empirical Modeling of Household and Family Decisions," in Jere Behrman and T.N. Srinivasan (ed.) *Handbook of Development Economics, Volume 3A*, 1995, North Holland: Amsterdam.

[Miguel, Edward and Michael Kremer, "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica*, 72\(1\), 2005, 159-218.](#)

[Rosen, Harvey and Steven Wu, "Portfolio Choice and Health Status," NBER Working Paper No. 9453](#)

Smith, James, "Healthy Bodies and Thick Wallets: The Dual Relation between Health and Economic Status," *Journal of Economic Perspectives*, 13(2), 1999, 145-166.

Consumption and Health Risk: October 3 and 5

Townsend, Robert, "Consumption Insurance: An Evaluation of Risk-Bearing Systems in Low Income Economies," *Journal of Economic Perspectives*, 9(3), 1995, 83-102.

Besley, Timothy, "Savings, Credit and Insurance," in Jere Behrman and T.N. Srinivasan (ed.) *Handbook of Development Economics, Volume 3A*, 1995, North Holland: Amsterdam.

Townsend, Robert, "Risk and Insurance in Village India," *Econometrica*, 62(3), 539-591.

Gertler, Paul and Jonathon Gruber, "Insuring Consumption Against Illness," *American Economic Review*, 92(1), 2002, 51-70.

Retirement Behavior: October 10

Hurd, Michael, "Research on the Elderly: Economic Status, Retirement, and Consumption and Saving," *Journal of Economic Literature*, 28(2), 1990, 565-637.

Rust, John and Christopher Phelan, "How Social Security and Medicare Affect Retirement Behavior in a World of Incomplete Markets," *Econometrica*, 65(4), 1997, 781-831.

French, Eric, "The Effects of Health, Wealth and Wages on Labor Supply and Retirement Behavior," *Review of Economic Studies*, 72(2), 2005, 395-428.

Bound, John, "Self-Reported versus Objective Measures of Health in Retirement Models," *Journal of Human Resources*, 26(1), 1991, 106-138.

Section 3: Empirical Methodologies

Identification: October 12 and 17

Selections from Chapters 2 through 6 of Manski

Treatment Effects: October 19, 24 and 26

Imbens, Guido and Joshua Angrist, "Identification and Estimation of Local Average Treatment Effects," *Econometrica*, 62(2), 1994, 467-475.

Angrist, Joshua, "Treatment Effect Heterogeneity in Theory and Practice," *Economic Journal*, 114(494), 2004, 52-83.

[Bhattacharya, Jay, Azeem Shaikh and Edward Vytlacil, "Treatment Effect Bounds: An Application to Swan-Ganz Cathertization," NBER Working Paper No. 11263.](#)

Propensity Scores: October 31

Heckman, James, Hidehiko Ichimura and Petra Todd, "Matching as an Econometric Evaluation Estimator: Evidence from Evaluating a Job Training Programme," *Review of Economic Studies*, 64(4), 1997, 605-654.

Section 4: The Market for Health Insurance

Moral Hazard: November 2 and 7

Cutler, David and Richard Zeckhauser, "The Anatomy of Health Insurance," in A.J. Cuyler and J.P. Newhouse (ed.) *Handbook of Health Economics, Volume I*, 2000, North Holland: Amsterdam.

Moral Hazard from *The Economics of Health and Health Care (EHH)*, pp. 151-154.

Pauly, Mark V., "The Economics of Moral Hazard," *American Economic Review*, 58 (3), 1968, 531-537.

Zeckhauser, Richard, "Medical Insurance: A Case Study of the Tradeoff between Risk Spreading and Appropriate Incentives," *Journal of Economic Theory*, 2 (1), 1970, 10-26.

Pauly, Mark V., "Overinsurance and Public Provision of Insurance: The Roles of Moral Hazard and Adverse Selection," *Quarterly Journal of Economics*, 88 (1), 1974, 44-62.

Ehrlich, Isaac and Gary S. Becker, "Market Insurance, Self-Insurance, and Self-Protection," *Journal of Political Economy*, 80 (4), 1972, 623-648.

Shavell, Steven, "On Moral Hazard and Insurance," *Quarterly Journal of Economics*, 93 (4), 1979, 541- 562.

Arnott, Richard J. and Joseph E. Stiglitz, "Moral Hazard and Optimal Commodity Taxation," *Journal of Public Economics*, 29 (1), 1986, 1-24.

Arnott, Richard J. and Joseph E. Stiglitz, "The Basic Analytics of Moral Hazard," *Scandinavian Journal of Economics*, 90, (3), 1988, 383-413.

Adverse Selection: November 9 and 14

Rothschild, Michael and Joseph Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics*, 90(4), 1976, 629-650.

Adverse Selection from EHC, pp. 187- 201.

Cutler, David and Richard Zeckhauser, "The Anatomy of Health Insurance," in A.J. Cuyler and J.P. Newhouse (ed.) *Handbook of Health Economics, Volume I*, 2000, North Holland: Amsterdam.

Akerlof, George A., "The Market for `Lemons': Qualitative Uncertainty and the Price Mechanism," *Quarterly Journal of Economics*, 80, 1970, 488-500.

Crocker, Keith J. and Arthur Snow, "The Efficiency Effects of Categorical Discrimination in the Insurance Industry," *Journal of Political Economy*, 94(2), 1986, 321-344.

Keeler, Emmett B., Grace Carter and Joseph P. Newhouse, "A Model of the Impact of Reimbursement Schemes on Health Plan Choice," *Journal of Health Economics*, 17(3), 1998, 297-320.

Buchmueller, Thomas and John DiNardo, "Did Community Rating Induce an Adverse Selection Death Spiral? Evidence from New York, Pennsylvania and Connecticut," *American Economic Review*, 92(1), 2002, 280-294.

STUDENT PRESENTATIONS: November 16, 21, 23 and 28

Section 5: The Wealth-Health Nexus: December 5 and 7

Topics TBA

TAKE-HOME FINAL WILL BE AVAILABLE ON FRIDAY DECEMBER 9 AT NOON AND WILL BE DUE ON MONDAY DECEMBER 12 AT NOON