

Health Economics
University of Hawaii at Manoa
Department of Economics
Professor Timothy Halliday
ECON 674
Time: MW 3:00 – 4:15
Office Hours: F 1:00 – 2:00

I. Objectives

This is a second year graduate course in Health Economics. It is designed to provide students with a thorough overview of selected topics in the field. The course will focus on empirical work with an emphasis on methodology, although we will discuss some theory at various points as well. The primary objective of the course is to acquaint graduate students with both classic and frontier work in the field with the ultimate aim of preparing them for serious research in health economics and, more broadly, empirical micro-economics.

II. 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:

Adda, Jerome and Russell Cooper (2003): *Dynamic Economics*. The MIT Press: Cambridge, MA.

Newhouse, Joseph. (2002): *Pricing the Priceless: A Health Care Conundrum*. The MIT Press: Cambridge, MA.

Wooldridge, Jeffrey. (2002): *Econometric Analysis of Cross Section and Panel Data*. The MIT Press: Cambridge, MA.

The Adda/Cooper book provides an excellent and digestible introduction to the empirical application of dynamic programming. For students who may want to go in a structural direction, it is a must. The Newhouse book is a terrific discussion of the economics of health care.

III. Grading

Your grade will be determined by (1) an in-class presentation (30%), (2) a term paper (40%) and (3) a problem set (30%).

IV. Course Structure

Section 1: Causal Pathways between Health and Wealth, August 20, 22, 27 and 29

Adams, P., Hurd, M.D., McFadden, D., Merrill, A. and T. Ribeiro (2003): "Healthy, Wealthy and Wise? Tests for Causal Pathways between Health and Economic Status," *Journal of Econometrics*, 112, 3-56.

Adda, J., Chandola, T. and M. Marmot (2003): "Socio-economic Status and Health: Causality and Pathways," *Journal of Econometrics*, 112, 57-63.

Deaton, A (2002): "Policy Implications of the Gradient of Health and Wealth," *Health Affairs*, 21, 13-30.

Deaton, A. and C. Paxson (1998): "Health, Income and Inequality over the Life Cycle," in *Frontiers of Aging*, ed. by D. Wise. The University of Chicago Press: Chicago, IL.

[Fuchs, V. \(1982\): "Time Preference and Health: An Exploratory Study," NBER Working Paper No. 539.](#)

Grossman, M. (1972): "On the Concept of Health Capital and the Demand for Health," *Journal of Political Economy*, 80, 223-255.

Grossman, M. (1981): "The Demand for Health after a Decade," *Journal of Health Economics*, 1, 1-3.

Muurinen, J. (1981): "Demand for Health: A Generalized Grossman Model," *Journal of Health Economics*, 1, 5-28.

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

[Smith, J. \(2003\): "Consequences and Predictors of New Health Events," NBER Working Paper No. 10063](#)

Section 2: Health Responses to Economic Shocks, September 5, 10, 12 and 17

[Adda, J., Banks, J. and H. von Gaudecker \(2006\): "The Impact of Income Shocks on Health: Evidence from Cohort Data," unpublished manuscript.](#)

Arellano, M. and S. Bond (1991): "Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations," *Review of Economic Studies*, 58, 277-297.

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

[Halliday, T. \(2007\): "Income Risk and Health," unpublished manuscript.](#)

Meghir, C. and L. Pistaferri (2004): "Income Variance Dynamics and Heterogeneity," *Econometrica*, 72, 1-32.

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

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

Section 3: Health, Labor Supply and Retirement Decisions, September 19, 24, 26 and October 1 and 3

Selected chapters from the Adda and Cooper Book

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

[Coile, Courtney \(2003\): "Health Shocks and Couples' Labor Supply Decisions," NBER Working Paper No 10810.](#)

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

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

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

Stern, Steven (1989) "Measuring the Effect of Disability on Labor Force Participation." *Journal of Human Resources*, 24, 361-95.

[Wu, Stephen \(2003\): "The Effects of Health Events on the Economic Status of Married Couples," *Journal of Human Resources*, 38, 675-689.](#)

Section 4: Treatment Effects and Instrumental Variables, October 8, 10, 15, 17 and 22

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

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

Lleras-Muney, Adriana (2005): "The Relationship between Education and Adult Mortality in the United States," *Review of Economics Studies*, 72, 189-222.

Miguel, Edward and Michael Kremer (2004): "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica*, 72, 159-218.

Wooldridge Chapter 18

Section 5: Health Measurement, October 24

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

[Baker, M., Stabile, M. and C. Deri \(2001\) "What Do Self-Reported, Objective, Measures of Health Measure?" NBER Working Paper No 8419.](#)

Presentations begin October 29

Section 6: Health Insurance and the Market for Health Care, Dates TBA

Selection from the Newhouse book

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

Cutler, David and Sarah Reber (1998): "Paying for Health Insurance: The Trade-off between Competition and Adverse Selection," *Quarterly Journal of Economics*, 113, 433-466.

Cutler, David and Richard Zeckhauser (2000): "The Anatomy of Health Insurance," in *Handbook of Health Economics, Volume 1*, ed. by A.J. Culyer and J.P. Newhouse. Elsevier: Amsterdam.

[Finkelstein, Amy \(2007\): "The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare," forthcoming *Quarterly Journal of Economics*.](#)

[Goldman, Dana and Thomas Philipson \(2007\): "Integrated Insurance Design in the Presence of Multiple Medical Technologies," NBER Working Paper No. 12870.](#)

Keeler, E., Carter, G. and J.P. Newhouse (1998): "A Model of the Impact of Reimbursement Schemes on Health Plan Choice," *Journal of Health Economics*, 17, 297-320.

Rothschild, Michael and Joseph Stiglitz (1976): "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics*, 90, 629-649.