

Health Economics  
University of Hawaii at Manoa  
Department of Economics  
Professor Timothy Halliday  
ECON 674  
Office Hours: By Appointment

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 theory and methodology. 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 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.

Deaton, Angus (1992): *Understanding Consumption*. Oxford University Press: Oxford, UK.

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

Drummond, Michael F., *et al.* (2003): *Methods for the Economic Evaluation of Health Care Programmes*, Oxford University Press: Oxford, UK.

Laffont, Jean-Jacques (1989): *The Economics of Uncertainty and Information*. The MIT Press: Cambridge, MA.

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

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

Newhouse, Joseph and the Insurance Experiment Group. (1993): *Free for All? Lessons from the RAND Health Insurance Experiment*. Harvard University Press: Cambridge, MA.

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

### III. Grading

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

### **IN-CLASS PRESENTATIONS BEGIN ON NOVEMBER 4.**

### IV. Course Structure

#### *Section 1: Health Investment*

AUGUST 24

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

AUGUST 26

Wagstaff, A. (1986): "The Demand for Health: Some New Empirical Evidence," *Journal of Health Economics*, 5, 195-233.

Wagstaff, A. (1993): "The Demand for Health: An Empirical Reformulation of the Grossman Model," *Health Economics*, 2, 189-198.

#### OTHER READINGS

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

Gilleskie, Donna (1994): "A Dynamic Stochastic Model of Medical Care Use and Work Absence," *Econometrica*, 66, 1-45.

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

#### *Section 2: Consumption, Health and Inequality*

AUGUST 31

pp. 133 – 169 of Deaton (1997)

SEPTEMBER 2

pp. 177 – 194 of Deaton (1992)

SEPTEMBER 9

Deaton, A. and C. Paxson (1994): “Inter-temporal Choice and Inequality,” *Journal of Political Economy*, 102, 437-467.

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.

### *Section 3: Income Volatility and Health*

SEPTEMBER 14

Bhalotra, Sonia (2007): “Fatal Fluctuations? Cyclicity in Infant Mortality in India,” forthcoming *Journal of Development Economics*.

SEPTEMBER 16

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.

Blundell, Richard and Steven Bond (1998): “Initial Conditions and Moment Restrictions in Dynamic Panel Data Models,” *Journal of Econometrics*, 87, 115-143.

SEPTEMBER 21

Meghir, Costas and Luigi Pistaferri (2004): “Income Variance Dynamics and Heterogeneity,” *Econometrica*, 72, 1-32.

SEPTEMBER 23

Adda, Jerome, Banks, James and Hans von Gaudecker (2006): “The Impact of Income Shocks on Health: Evidence from Cohort Data,” forthcoming *Journal of the European Economic Association*.

OTHER READINGS:

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, Timothy (2006): "Business Cycles, Migration and Health," *Social Science and Medicine*, 64, 1420-1424.

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

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 4: Health, Labor Supply and Retirement Behavior*

SEPTEMBER 28 AND 30

Chapters 1 – 3 of Adda/Cooper

OCTOBER 5

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

OTHER READINGS:

Blau, D. and D. Gilleskie (2001): "Retiree Health Insurance and the Labor Force Behavior of Older Men in the 1990's," *Review of Economics and Statistics*, 83, 64-80.

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.

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 5: Treatment Effects, Propensity Scores and Instrumental Variables*

OCTOBER 7

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.

OCTOBER 12

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

OTHER READINGS:

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.

Rosenbaum, Paul R. and Donald B. Rubin (1983): "The Central Role of the Propensity Score in Observational Studies for Causal Effects," *Biometrika*, 70, 41-45.

Chapter 18 of Wooldridge

*Section 7: Cost-Effectiveness Analysis*

OCTOBER 14 AND 19

Sections from Drummond

*Section 8: Health Insurance*

OCTOBER 21

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.

OCTOBER 26

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.

OCTOBER 28

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.

NOVEMBER 2

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

OTHER READINGS:

Selections from Newhouse

Selections from Laffont

Baicker, K. and A. Chandra (2005): "The Consequences of the Growth of Health Insurance Premiums," *American Economic Review, Papers and Proceedings*, 95, 214-218.

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.

[Goldman, Dana and Thomas Phillipson \(2007\): "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.

## PRESENTATIONS BEGIN NOVEMBER 4

We will decide jointly how to allocate the remaining time. Some possible topics include:

### *The Gradient*

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.

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](#)

### *Health Measurement*

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.](#)

### *Peer Effects and Health Outcomes*

Chapter 7 of Manksi

Christakis, Nicholas A. and James H. Fowler, (2007): "The Spread of Obesity in a Large Social Network over 32 Years," *New England Journal of Medicine*, 357, 370-9.

Cohen-Cole, Ethan and Jason Fletcher, (2008): "Is Obesity Contagious? Social Networks versus Environmental Factors in the Obesity Epidemic," *forthcoming Journal of Health Economics*.

Kwak, Sally and Timothy Halliday (2009): "Weight Gain in Adolescents and their Peers," unpublished manuscript.