

# Economics of Aging

Yale University  
ECON 466 01 – Fall 2010

Instructor: Doug McKee  
douglas.mckee@yale.edu

Class: Wednesdays 1:30-3:20 at 8 Prospect Place Rm 119

Office Hours: Fridays 4:00-5:00 and by appointment at 27 Hillhouse Ave., Room B03

This course provides an overview of the economics literature in aging, primarily in the United States, but with a some discussion of other countries. The course is organized around major topics in the empirical literature including saving for old age, retirement, the design and viability of social security systems, elder care, and inheritance. We will place special emphasis on the retirement decision and the role of institutions, health, and marriage. The course will teach students how to read technical contemporary economic research in these areas and will include in depth discussion of the primary theories and methods used.

## Grades:

Your grade will be composed of four parts.

### Class participation: (20%)

This is a seminar; you are required to attend each class prepared to discuss the assigned readings. As part of this, you will fill in a worksheet for each of the week's papers noting the paper's contribution, empirical approach, and limitations. These worksheets are required but will not be graded.

### Lead discussion of one or two of the assigned papers: (20%)

Each student (or pair of students, depending on size of class) will prepare a 10–20 minute presentation of one or two of the papers assigned and will lead a discussion of the paper(s). Discussion should center on the contribution of the paper(s), issues with the analysis, relationship with other course readings, and any questions that are left open. These student-led discussions will be graded by the following class.

### Mid-term draft of a proposal of an empirical project (5–7 pp.): (20%)

Each student will identify a research question related to the economics of aging and provide some economic intuition for how to answer it. Proposals should place the project in context by citing and summarizing related literature. They should also specify an appropriate economic model. Due: October 20, in class

### Final research proposal (15–20 pp.): (40%)

The final paper should flesh out the draft proposal by identifying a primary data source and specifying an empirical approach in detail. Students are encouraged to do some preliminary data description and analysis, but this is not required. Due: December 10, 5pm

## Readings:

Most of the readings are available online at [www.jstor.org](http://www.jstor.org), [nber.org](http://nber.org), the journal's website, or the course website.

### PART I: RETIREMENT

#### Week 1 (9/1): Retirement in the 20th century

Hurd, Michael (1997) "Economics of Individual Aging," in *Handbook of Population and Family Economics*, Chapter 16, pp. 892–919.

Lumsdaine, Robin and Olivia Mitchell (1999) "New Developments in the Economic Analysis of Retirement," in *Handbook of Labor Economics*, Vol. 3C, Chapter 49, pp. 3261–3272.

Costa, Dora (1989) "A House of Her Own: Old Age Assistance and the Living Arrangements of Older Nonmarried Women," *Journal of Public Economics*, vol. 72, pp. 39–59.

McGarry, Kathleen and Robert Schoeni (2000) "Social Security, Economic Growth, and the Rise in Elderly Widows' Independence in the Twentieth Century," *Demography*, vol. 37 (2), pp. 221–236.

Lazear, Edward (1986) "Retirement from the Labor Force," *Handbook of Labor Economics*, Vol. 1, Chapter 5, pp. 305–324.

#### Week 2 (9/8): Static and simple life-cycle models of labor supply

Burkhauser, Richard (1979) "The Pension Acceptance Decision of Older Workers," *Journal of Human Resources*, vol. 14, pp. 63–75.

#### Week 3 (9/15): Estimating life cycle models of labor supply

Gustman, Alan and Thomas Steinmeier (1986) "A Structural Retirement Model," *Econometrica*, vol. 54 (3), pp. 555–584.

Stock, James and David Wise (1990) "Pensions, the Option Value of Work, and Retirement," *Econometrica*, vol. 58 (5), pp. 1151–1180.

#### Week 4 (9/22): Social Security and Medicare

Congressional Budget Office (2001) "Social Security: A Primer," pp. 1–82.

Krueger, Alan and Jorn-Steffen Pischke (1992) "The Effect of Social Security on Labor Supply: A Cohort Analysis of the Notch Generation," *Journal of Labor Economics*, vol. 10 (4), pp. 412–437.

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

#### Week 5 (9/29): Reforming Social Security Systems

The World Bank (1994) “Averting the Old Age Crisis: Policies to Protect The Old and Promote Growth,” pp. 1–23.

Congressional Budget Office (1999) “Social Security Privatization: Experiences Abroad,” pp. 1–42, 59–72.

Geanakoplos, John and Stephen Zeldes (2008) “Reforming Social Security with Progressive Personal Accounts,” NBER Working Paper 13979, pp. 1–55.

#### Week 6 (10/6): Retirement and health

Blau, David and Donna Gilleskie (2001) “The Effect of Health on Employment Transitions of Older Men,” *Research in Labor Economics*, vol. 20.

Thomas, Duncan and Elizabeth Frankenberg (2000) “The Measurement and Interpretation of Health in Social Surveys,” it RAND Working Paper DRU-2550-NIA.

#### Week 7 (10/13): Retirement of married couples

Blau, David (1998) “Labor Force Dynamics of Older Married Couples,” *Journal of Labor Economics*, vol. 16 (3), pp. 595–629.

Coile, Courtney (2004) “Retirement Incentives and Couples’ Retirement Decisions,” *Topics in Economic Analysis and Policy*, vol. 4 (1), Article 17, pp. 1–28.

#### Week 8 (10/20): Old age labor supply in developing countries

Benjamin, Dwayne and Loren Brandt and Jia-Zhueng Fan (2003) “Ceaseless Toil? Health and Labor Supply of the Elderly in Rural China,” Unpublished, pp. 1–54.

Mete, Cem and T. Paul Schultz (2002) “Health and Labor Force Participation of the Elderly in Taiwan,” Yale Economic Growth Center Discussion Paper No. 846, pp. 1–46.

### PART II: SAVING FOR OLD AGE

#### Week 9 (10/27): Life cycle models of saving

Ramsey, F. (1928) “A Mathematical Theory of Saving,” *Economic Journal*, vol. 38, pp. 543–559.

Browning, Martin and Thomas Crossley (2001) “The Life-Cycle Model of Consumption and Saving,” *Journal of Economic Perspectives*, vol. 15 (3), pp. 3–22.

Week 10 (11/3): Are Americans saving “enough?”

Scholz, John Karl, Ananth Seshadri, and Surachai Khitatrakun (2006) “Are Americans Saving “Optimally” for Retirement?”” *Journal of Political Economy*, vol. 114 (4), pp. 607–643.

Aguiar, Mark and Erik Hurst (2005) “Consumption versus Expenditure,” *Journal of Political Economy*, vol. 113 (3), pp. 919–948.

Week 11 (11/10): Saving in developing countries

Deaton, Angus and Christina Paxson (2000) “Growth and Saving Among Individuals and Households,” *Review of Economics and Statistics*, vol. 82 (2), pp. 212–225.

Rosenzweig, Mark (2001) “Saving Behaviour in Low-Income Countries,” *Oxford Review of Economic Policy*, vol. 17 (1), pp. 40–54.

PART III: CARE OF THE ELDERLY AND INHERITANCE

Week 12 (11/17): Elder care

Pezzin, Liliana, Robert Pollak, and Barbara Schone (2008) “Long-term Care of the Disabled Elderly: Do Children Increase Caregiving by Spouses?” NBER Working Paper 14328.

Engers, Maxim and Steven Stern (2002) “Long-term Care and Family Bargaining,” *International Economic Review*, vol. 43 (1), pp. 73–114.

Week 13 (12/1): Inheritance

Bernheim, B. Douglas, Andrei Shleifer, and Lawrence Summers (1985), “The Strategic Bequest Motive,” *The Journal of Political Economy*, vol. 93 (6), pp. 1045–1076.

Hurd, Michael (1989), “Mortality Risk and Bequests,” *Econometrica*, vol. 57 (4), pp. 779–813.