Course Description.

This course is an analysis of the economic aspects of aging. Topics include the economic implications of demographic shifts in the age structure of the population, the economic status of the aged, labor market activity of older workers, the economic determinants of retirement, the nature and adequacy of private and public pension systems, and an evaluation of the existing income support and health policies.

This course is a seminar and will be run as one as much as possible. This means we all have responsibility to teach each other. The course will be a combination of my presentations, visiting lecturers, student led discussions, and team panel discussions. Each student will be a "discussion leader" for two classes during the semester. There are various ways this can be done. The main purpose is to give the class some questions to think about before the class meeting. Then some time during the evening you will take over and we will discuss those questions. Since some classes may have visiting lecturers, if you are leader on those evenings you would be charged to introducing the visitor and giving the class an assignment that would prepare them for that evening. In preparation for your discussion leader experience, you will meet with me [at least] two weeks before the class meeting at which you are to lead. We will discuss what you plan to do and the assignment we think the class should have. On the Monday morning a week before the class at which you present, you will bring in whatever you want duplicated and we will finalize what will be the class assignment. After the classes you lead, you will turn in a report on the discussion by the following Friday.

The class will be divided into one or two teams for research projects. One or two classes before the last class we will have team reports. The projects will be on any topic in the field that you want. Each team will meet with me in the third week of the semester to plan their panel. The fourteenth class will be a recap and open forum. Students are expected to attend any campus wide lectures relevant to the topic and be prepared to discuss them in class. You should also keep up to date on articles in newspapers, magazines, etc. that are on the issues of the course. Please clip anything you find and bring it to class and we will keep a file. There is no textbook for the course, but there will be readings for each class on reserve at King Library.
Your grade will depend on your attendance, class participation, the team project, and a take home final exam. The final will be passed out two weeks before the end of the semester and is limited to 15 pages.

- Class attendance 15.0%
- Class participation (including as discussion leader) 15.0%
- Write up of class discussion 5.0%
- Team projects 30.0%
- Take home final exam 35.0%
- Total 100.0%

Those students who register for graduate credit will also be required to do a research paper.

Course Objectives.

It is expected that over the course of the semester we will develop:

1. an understanding of the nature and scope of economic issues of aging;
2. an understanding of the conceptual, theoretical, and institutional bases for the economic analysis of issues and problems in an aging population; and
3. the ability to apply this understanding to current issues and problems.

Prerequisites.

The prerequisites for this course are Eco 201 and Eco 202. Under special circumstances, the instructor can exempt part of the prerequisites. The course will require a working knowledge of basic economic principles and analytical techniques. For those who are rusty, review materials can be assigned.
Examples of microeconomic issues that could be addressed in this course.

Opportunity cost.
How much in public resources should go to the elderly?
What are the implications of the life-cycle model--is retirement part of a reward for working hard when younger or a luxury in a society that can afford more leisure?

Principal agent problem. How do we resolve the issue of what to do with those who chose not to save for retirement when they were young--is it fair to tax those who did?

Industrial Organization.
Which industries will be growing and which will be declining as the age distribution of the population change? Are there economies of scale in these new industries and what will be the implication for economic growth?

Examples of macroeconomic issues that could be addressed in this course.

Intergenerational transfers, both public and private.
There are two schools of thought on the issue of the viability of Social Security in the next century. One states that with normal economic growth, benefits can be paid with a small cost to the economy. The other is concerned with the impact of the large fall in the ratio of workers to retirees and the large increase in social security taxes. It is possible for both to be right, however, the issue needs to be addressed.

Questions of Growth
What are the projected trends in capital/labor ratios? Will they rise sufficiently to provide the growth need for the additional transfers to the elderly?
As the needs of labor service by the retired population grow, will the workforce be able to adapt--particularly health services? What will be the impact on relative wages be?
Schedule of Topics

The following course outline is the order topics are scheduled. Issues mentioned above should come up at various points in the course. The weekly assignments are a guide and can be revised.

[Week 1]

1. Overview
   A. Introduction.
   B. What is population aging?
   C. Economic implications of populations aging.
      1. Labor markets.
      2. Aggregate saving.
      3. Investment demand.
      4. Labor productivity.
      5. Personal consumption demand.

[Week 2]

2. Changing Demography of the Aged.
   A. Forces of Demographic Change.
      1. Fertility.
      3. Migration.
   B. The record of shifts in age and sex composition over time.
   C. Dependency ratios over time.
      1. Old/total.
      2. (young and old)/total.
      3. Are the dependencies of the young and old different?
      4. The dynamics of population change in the US.
      1. The cost of children.
      2. Expenditures of aged households.
      3. Projected weighted total dependency ratios.
      5. The problems of intergenerational consumption comparisons.

   A. Income from wages.
   B. Private wealth.
   C. Public Income.
   D. External Shocks, the special case of the impact of inflation.
   E. Problems of intergenerational consumption comparisons.
[Week 3]

4. Retirement income goals. What is Adequate?
   A. Achieving and maintaining retirement income adequacy.
   B. Types of Adequacy Standards.
   C. Aged Income Adequacy

   A. The policy implications of work/Leisure trade-off.
   B. Historic trends in hours and weeks worked.

[Week 4]

   A. The life cycle model.
      1. Maximizing utility over a lifetime.
      2. Income and substitution effects on work vs. leisure choice.
      3. The choice of when to take leisure--more vacations, shorter hours or longer retirement?
   B. Other supply factors that determine when to retire.
      1. Adequate income.
      2. Health factors.
      3. Employability
   C. Efficient wage and other "bonding" models.
      1. "Wage tilt” pay schedules and optimal retirement models.
      2. Other factors that determine the optimal age for retirement from the employers point of view.
   D. Other demand factors that determine when to retire.
      1. Age discrimination.
      2. Because of mandatory retirement.
      3. Early retirement incentives.
      4. Part time work to phase in retirement.

[Week 5]

7. Government Pensions
   A. The specifics about OASI
      1. How does it work?
      2. Are there inherent inequities?
      3. Are the incentives right and how are they changing?
   B. What is SSI and how does it work?
   C. What role for Means testing.

[Week 6]
8. Private Pensions
A. Why have a pension?
B. Historical development of pensions.
C. Defined benefit/defined contribution.
D. Vesting, early retirement benefits, and "parachutes."
E. Pensions role in the overall compensation plan.

[Week 7]

A. What is the P.B.G.C. and how does it work?
B. Has the merger movement hurt worker pensions
C. What is the financial soundness of the funding of the private pensions?

10. Financing OASI
A. The Political Economics of the Social Security Trust Fund.
B. Macro Issues of Funded vs. Pay-as-you-go financing.

[Week 8]

11. Health Care and the Elderly
A. Health status.
B. Health care market considerations.
1. The private market for health insurance for the elderly.
2. Long term versus acute care needs.
3. Nursing Home insurance
C. Moral Hazard problems of providing broad coverage.
D. The ethics of young/old transfers
E. The ethical issues of rationing health care.

[Week 9]

12. Public Health Care
A. Medicare.
B. Medicaid.
C. Disability Insurance.
D. What is new this year?

[Week 11]

A. Are markets for the older worker changing?
B. The Japanese experience.
C. Should it be US policy to raise the age of retirement?

14. Other Issues
A. The changing role of the family in support of the aged.
B. Problems of Housing.
D. Equity Considerations.
1. Intragenerational inequities of the aged.
2. Intergenerational inequities--young vs. old.
3. Intergenerational conflicts.

[Week 12]

15. Special problems for aged women.
A. Poverty and the single older woman.
B. Participation rates of older women.
C. Financial problems of older women
Readings on Reserve for Economics of Aging

RESERVE LIST
1.       Introduction and Course Overview.


Schultz, James H.[S],  The Economics of Aging, 4th Ed. Wadsworth, 1988, Chapter 1

2.   Changing Demography of the Aged.

[S.B.C.] Chapter 3, [S]: Chapter 2


[S.B.C.] Chapter 3


5. The Record of Work and Retirement.


[S.B.C.] Chapter 5, [S]: Chapter 3, 4


7. Government Pensions

[S]: Chapter 6


[S]: Chapter 8


10. Financing Social Security


11 &12. Health Care and the Elderly

[S]: Chapter 7


Marmor, Theodore R., Jerry L. Mashaw and Philip L. Harvey America's
Misunderstood Welfare State, Basic Books 1990. Chapter 5 "Misunderstanding Medical Care"

Callahan, Daniel. Setting Limits; Medical Goals in an Aging Society, Simon & Schuster Inc. 1987 Chapter 5, "Allocating Resources to the Elderly"


13. Potential for Older-Worker Employment in an Aging Society


[S.B.C.] Chapter 9

14. Equity Considerations.


