Health and Wealth over the Life Cycle

Harvard University Department of Economics
Short Course: Fall 2009

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Littauer 228

Abstract:

This is a set of 6 lectures/discussions focusing on two basic themes. The first is how to think about the life cycle model in the context of consumption, savings, health, and health spending. We will include studies that look at how uncertainty about health care spending affects consumption and wealth, but also (more generally) different approaches to integrating health and health investments in dynamic models of consumption and saving.

A key parameter in these models is: what is the incremental or marginal value of more health? This leads naturally to thinking about the nature of the health “production function.” There is a wide range of opinion about the nature of the health production function in the U.S., ranging from “it’s positive and really steep, which is why health care costs continue to rise” to “it’s zero or negative – so health care cost growth is just more money wasted.” We will therefore consider the evidence on this question using both economic models and with frequent incursions into the clinical literature.

The course is admittedly idiosyncratic, but a general theme is that there are strong and largely unrealized opportunities for arbitrage between economics and the reservoir of knowledge available in the medical literature. (Just one example: the Vietnam War draft lottery number’s use as an instrumental variable first appeared in the New England Journal of Medicine.) I also hope the course will whet your appetite for David Cutler’s spring--semester comprehensive course on health economics.

There are many articles assigned; the goal of the classroom time will be to understand the essence of each paper, and to leave sufficient time for discussion. I will not be assigning a grade in the course, but expect that you will keep up with the readings. Office hours are whenever you see my door open (or by appointment).

Schedule:

1. Tuesday, September 22: 6 - 7:30 pm
2. Thursday, September 24: 6 - 7:30 pm
3. Thursday, October 22: 6 – 7:30 pm
4. Tuesday, October 27: 6 - 7:30 pm
5. Thursday, October 29: 6 - 7:30 pm
6. Friday, October 30: 3 – 4:30 pm*

* This final class may be shifted to a different time if desired.
Location: M-15 Littauer

Readings (* denotes required)

0. Preliminary: Learning to write good


1. Models of Consumption and Saving with Uninsured Health Expenditures


2. Health over the Life Cycle


3. The health care production function in the long & short run


4. Case study: Have we won the war on prostate cancer?


5. How important is health care in explaining longevity and health functioning


6. Technology Growth and Health Care Cost Growth

