CITY UNIVERSITY OF NEW YORK
Graduate School and University Center

ECON 87400-Economics of Health     M. Grossman

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OUTLINE AND READING LIST-LAST OFFERED FALL 2016

Learning Goals and Outcome

This course emphasizes the distinction between health as an output and medical care as one input into the production of health. This distinction leads to a discussion of models of the production of health and the demand for health. Within the context of these models, the demand for medical care is treated as a derived demand for a factor of production. Approaches to optimal infant and child health, the health-schooling causality controversy, and the economic determinants of such unhealthy behaviors as cigarette smoking and alcohol abuse also are covered. In addition, more traditional topics in a course on the economics of health are discussed. These include the demand for and supply of various types of medical care services, the demand for health insurance, and the effects of insurance on the demand for medical care.

Learning goals and outcomes are as follows.

(1). Acquire knowledge of the similarities and differences between health and other goods and services bought and sold in the marketplace.

(2). Acquire knowledge of the differences between the production of health and the production of health care services and analyze the relationships between these concepts.

(3). Analyze the factors influencing the demand for health.

(4). Acquire an understanding of how economic tools can be used to analyze topics such as infant health, health and education, and health behaviors surrounding substance use, nutrition, and physical activity.

(5). Develop an analysis of current health policy.

(6). Be able to critically evaluate recent papers in health economics and acquire tools to conduct empirical research in that area.
The course will emphasize my interests, my previous and current research, and related research by others, some of which is critical of my work. I have done little research in issues revolving around the costs of medical care, and that topic is covered only briefly in the reading list below.

Course requirements are a final examination and a paper. The paper can be a critical review of an unpublished or published paper that is not discussed in class or an empirical study. If you want to do an empirical study, two interesting and readily available datasets are the Behavioral Risk Factor Surveillance System for the U.S. and the Demographic and Health Survey for developing countries. Just Google them.

There is no textbook for the course. If you want a broad overview of the economics of health and medical care, including topics that I will not cover, I suggest the following text:


A key reference for any serious student of the economics of health is the following:


You can access all the papers in the Handbook from the Mina Rees Library Home Page. Click on Databases and select Handbooks in Economics Series. You have to be logged on with the Graduate Center domain (gc.cuny.edu). Given online access to the Handbook, there is no need to purchase it.

I will not place material on Blackboard. Instead, I will make it available to the class via e-mail.

Almost all of my papers are on my home page https://mgrossman.ws.gc.cuny.edu. The address is case-sensitive. My very recent National Bureau of Economic Research working papers and NBER working papers in health economics by other authors can be downloaded from www.nber.org free of charge if you are logged on with the Graduate Center domain. Click on Publication and then click on Working Papers. NBER books that have been in print for more than 18 months and chapters from forthcoming books can be downloaded at no charge by clicking on Books after clicking on Publications.

Valuable and informative health data and datasets can be found on the web site of the National Center for Health Statistics www.cdc.gov/nchs.

Assessment

As indicated above, the course requirements are a final examination and a paper. Both will require mastery of the theoretical underpinnings of each of the nine topics in the reading list and knowledge of competing theories when more than appears in a given section. Empirical evidence in support of an approach or theory should be evaluated in a critical fashion. That is
especially important if the course paper takes the form of a critical review of the literature. Many of the papers in the reading list contain examples of empirical techniques that are widely used in applied microeconomic research. If an empirical paper is selected, it is important to demonstrate that the appropriate empirical procedures are being applied. For example, if there is an issue of reverse causality or bias due to an omitted “third variable,” that needs to be addressed. Some of the questions on the final exam will take the form of problems in which students are asked to apply concepts developed in the course foundations in which basic assumptions are modified.

I. INTRODUCTION: THE HOUSEHOLD PRODUCTION FUNCTION APPROACH TO CONSUMER BEHAVIOR, HUMAN CAPITAL THEORY, AND TIME PREFERENCE


II. PRODUCTION OF HEALTH, DEMAND FOR HEALTH, AND DERIVED DEMAND FOR MEDICAL CARE


Kenkel, Donald S. “Prevention.” Chapter 31 in Handbook.


Grossman, Michael. “On the Concept of Health Capital and the Demand for Health.” Journal of Political Economy, 80, No. 2 (March/April 1972). This paper is based on the first two chapters of my NBER monograph. It stresses the difference between health capital and other forms of human capital.


III. SCHOOLING AND HEALTH: CORRELATION OR CAUSALITY


Farrell, Philip, and Fuchs, Victor R. “Schooling and Health: the Cigarette Connection.” Journal of Health Economics, 1, No. 3 (December 1982).


Cutler, David M.; Lange, Fabian; Meara Ellen; Richards Seth; and Ruhm, Christopher J. “Rising Educational Gradients in Mortality: The Role of Behavioral Risk Factors.” Journal of Health Economics 30, No. 6 (2011).


Karas Montez J, Friedman EM (Eds.). “Special Issue: Educational Attainment and Adult Health: Contextualizing Causality. Social Science and Medicine, 127, February (2015), pp. 1-206. Note: This is the entire February 2015 issue of the journal.

IV. ECONOMICS OF SUBSTANCE USE AND ABUSE: INTRODUCTION


Becker, Gary S.; Grossman, Michael; and Murphy, Kevin M. “An Empirical Analysis of Cigarette Addiction.” *American Economic Review*, 84, No. 3 (June 1994). Also relevant in Section V.


V. ECONOMICS OF SUBSATANCE USE AND ABUSE: CIGARETTES


DeCicca, Philip; Kenkel Donald; and Mathios, Alan. “Putting out the Fires: Will Higher Taxes Reduce the Onset of Youth Smoking?” *Journal of Political Economy*, 110, No. 1 (February 2002).


DeCicca, Philip; Kenkel, Donald; and Mathios, Alan. “Cigarette Taxes and the Transition from Youth to Adult Smoking: Smoking Initiation, Cessation, and Participation.” *Journal of Health Economics* 27, No. 4 (July 2008).

DeCicca Philip; Kenkel Donald, Mathios, Alan; Shin, Yoon-Jeong; and Lim, Jae-Young. “Youth Smoking, Cigarette Prices, and Anti-smoking Sentiment.” *Health Economics*, 17, No. 6 (June 2008).


VI. ECONOMICS OF SUBSTANCE USE AND ABUSE: ALCOHOL

Cook, Philip J., and Moore, Michael J. “Alcohol.” Chapter 30 in *Handbook*.


VII. ECONOMICS OF SUBSTANCE USE AND ABUSE: ILLEGAL DRUGS


VIII. ECONOMICS OF OBESITY


IX. ECONOMIC APPROACHES TO INFANT AND CHILD HEALTH

Currie, Janet. “Child Health in Developed Countries.” Chapter 19 in *Handbook*.


X. MEDICAL CARE: DEMAND AND HEALTH INSURANCE


