

Syllabus – Social Insurance (ECON 590)

Spring 2019

11:00 a.m. - 12:20 p.m., Tuesdays and Thursdays
215B David Kinley Hall

Instructor: Benjamin M. Marx, Dept. of Economics

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Office: 28 David Kinley Hall, 217-300-1435

Office hours: Thurs 1:30-3:30pm. *Please email in advance if you wish to come to office hours.*

Course Website: Compass 2g (<https://compass2g.illinois.edu/webapps/login/>).

Course Description: Governments throughout the world provide insurance programs to protect their citizens against risks including illness, unemployment, disability, and outliving their savings. In many countries these social insurance programs make up the majority of government spending, and their growth is closely linked to current and projected future deficits. In this course we will examine the costs and benefits of these programs and the implications for optimal policy design. After using economic theory to lay the groundwork to guide this analysis we will review cutting-edge empirical research on the relevant parameters of real-world policies. Based on findings for health insurance, social security, and other programs we will ask in what settings social insurance is justified and whether there should be more or less social insurance in each context. Students will practice critically evaluating policy and research, developing their skill in translating rigorous academic work into coherent arguments and policy proposals.

Prerequisites: This course is primarily intended for 2nd- and 3rd-semester students in the Economics Department's MSPE program, and it assumes a background in microeconomics and econometrics at the graduate level.

Objectives: The first objective is to provide a critical overview of the literature on social insurance programs, helping students think about what parameters determine optimal policy design and learn the state of our knowledge of these parameters. The second objective is to prepare students to evaluate research by gaining familiarity with applied microeconomics methodologies.

Requirements (with % of Grade):

1. (30%) Final exam
2. (25%) Midterm exam
3. (20%) Literature review (5 pages max, double-spaced). The student should provide a review of the literature on a particular topic related to social insurance. At a minimum, the review should cover all of the most relevant research, describe the methods and quality of this research in a clear way, and be organized so to show how the papers relate to each other. The best reviews will also attempt to identify a gap in the literature or question that has not been addressed, discuss how one might answer an outstanding question, or present a theoretical idea or proposal for experimental or empirical research. Each student must email me (with Spring Break being the best time to do this) for approval of the desired topic.
4. (10%) Homework assignments. There will be 5 or 6 assignments to give students practice with the kinds of problems that might be on the exams.
5. (5%) Present a paper from the reading list (on assigned week in outline below). Students should email me as soon as possible to choose a paper; papers will be assigned to students on a first-come, first-served basis. Papers listed in bold font are likely to be covered in class and cannot be chosen for the presentation. Students will have 30 minutes to present the paper.
6. (5%) Present the literature review. Students will present their reviews in class at the end of the semester.
7. (5%) Participation (including discussion and comments given at your classmates' presentations)

Submitting assignments: The first homework assignment should be submitted through Compass. The rest of assignments should be turned in at the beginning of class. The due date will be provided with the instructions for each assignment.

Special Needs: Contact me by the 2nd class if you will require accommodation for special learning needs. To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), or e-mail a message to disability@uiuc.edu.

Campus Security: Campus general emergency response recommendations can be found at <http://police.illinois.edu/emergency/response/procedures/>. The floor plan for David Kinley Hall is available at <http://police.illinois.edu/emergencyplanning/floorplans/>.

Important dates:

2/28: Midterm Exam
3/5, 3/7, 3/12, 3/14: Student Presentations
3/19 & 3/21: No class (Spring Vacation)
4/19: Literature reviews due
4/23, 4/25, 4/30: Student Presentations
5/8: Final Exam

Course Outline (roughly 1 week per subtopic)

Insurance and Government

The Value of Insurance
Market Efficiency/Failure the Role of Government
Adverse Selection
Crowd-out
Moral Hazard
Optimal Social Insurance

Midterm Exam – 2/28 (Thurs, in class)

Student Presentations

Major Insurance Programs

Workers' Compensation
Disability Insurance
Unemployment Insurance
Health Insurance
Social Security
Student Presentations

Final Exam – 5/8, 8:00-11:00 am, probably in regular classroom