Course Objectives: The main goals of the course are:

- to stimulate your research interests in these topics, and to learn about the frontier of the relevant literature;
- to hopefully generate new and independent research questions/ideas that will contribute to your third year paper or your dissertations.

In this course, we survey several topics that are part of my own current research interests, particularly in the areas of health insurance/health care, and social insurance; and discrimination/affirmative action:

- Health care and health insurance markets and their interactions with the labor market.
- An overview of the recent theoretical and empirical developments related to the economics of discrimination and affirmative action.

Requirement and Grading: The course will be a combination of lectures and student presentations. You are expected to be an active participants in the class. For each of the paper we will discuss in class, you need to read the paper and answer the guided-reading questions. You are required to complete the guided-reading assignment prior to the class and then submitted an updated version after the class discussions. I will assign papers to you for presentations.

1. (20%) Class participation and presentations. I will assign papers for you to present.
2. (25%) Answers to weekly guided-reading questions and occasional homework.
3. (25%) A take-home final exam.
4. (30%) Term paper/research proposal. You are expected to pursue some topics covered in class. You must get my approval for the topics that you intend to write on. The proposal may consist of an empirical and/or theoretical analysis, but should contain some original aspects. You are required to turn in a two-page research proposal by October 31, 2022; and you have until January 31, 2023 to complete the proposal. Please speak to me if you have difficulty developing a topic, and we will work on it together. Each enrolled student is required to give a short presentation of the preliminary proposal in class toward the end of the semester. The goal is to get you started on your first research project that can potentially be turned into the third-year paper later.
1 Health Care and Health Insurance Markets

1.1 Theoretical Models of Health Insurance and Health Insurance Market

The key reason for the government to be involved in providing insurance is the potential market failure as a result of asymmetric information. Here we review the basic theory of how asymmetric information may lead to market failure; and the tests for asymmetric information that are derived from the theory; and finally some recent empirical methods to examine the welfare effects of asymmetric information.

The classical readings on the market failure due to asymmetric information is Akerlof’s (1970) lemon’s paper and Rothschild & Stiglitz’s analysis of competitive insurance market (1976). Arrow’s (1963) classical paper makes uncertainty and asymmetric information central focus of the economic analysis of health economics. All these papers assume one dimensional private information in the risk type of the agents. Recent empirical literature suggests the importance of multi-dimensional heterogeneity in driving the equilibrium of the health insurance market.


1.2 Why Do American Spend So Much More on Health Care?


1.3 Demand for Health and Health Care


1.4 Reclassification Risk and Long-Term Insurance Contracts

Reclassification risk is the risk that consumers face in future insurance premiums. There is no long-term health insurance currently in the U.S. This could lead to significant welfare loss.


1.5 Health Insurance and Labor Markets, and Evaluating the Affordable Care Act

We will first digress on a discussion about a variety of labor market models that differ in the nature of the friction, and how wages are determined. Such models are ingredients to study the interaction between social insurance programs and the labor market.


Health care reform is one of the most important policy issues in the US. There are numerous angles from which one can examine the issues related to the health care system.


1.6 Supply Side of Health Care

• A. Measurement of Quality:

• B. Physician Induced Demand:

• C. Physician Fraud:

• D. Competition:
• E. Payment Reforms:

• F. IO of the Health Care Markets:

2 Economics of Discrimination and Affirmative Action

2.1 Theoretical Models of Discrimination and Affirmative Action


• Arjada Bardhi, Yingni Guo and Bruno Strulovici (2020). “Early-Career Discrimination: Spiral or Self-Correcting?”

2.2 Empirical Methods to Distinguish Prejudice from Statistical Discrimination


2.3 Digital Discrimination


