

SEMINAR ON THE ECONOMICS OF AGING AND RETIREMENT

Fall 2001

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The purpose of this course is to update students on current research in the economic implications of an aging society and its retirement programs. Although the topic is targeted, it has broad implications for all aspects of the economy. As a result, this course should be useful not only for those interested in writing dissertations in the field but also as general background for those going into business and other occupations. The course will explore both the theoretical debates and the practical issues faced by policymakers. It will cover a wide range of topics, from how to prepare for an aging society to the impact of retirement programs on saving and work effort.

COURSE REQUIREMENTS:

1. The course will meet for 2 ½ hours each week and have a final exam.
2. In addition, students will be responsible for presenting articles to the class. These will include those articles on the reading list and other relevant material.
3. Students will also be required to write a 15-20 page paper that relates the academic articles on the reading list to a real world policy deliberation.
4. Class participation will be an important part of the course.

PREREQUISITE:

Students must have completed intermediary micro- and macroeconomics.

The Implications of an Aging Society

David M. Cutler, James M. Poterba, Louise M. Sheiner and Lawrence H. Summers. 1990. "An Aging Society: Opportunity or Challenge?" *Brookings Papers on Economic Activity* No. 1.

Lawrence H. Thompson. 1998. "The Economic Costs of Supporting the Retired," Chapter 3 in *Older and Wiser: The Economics of Public Pensions*. The Urban Institute.

Douglas W. Elmendorf and Louise M. Sheiner. 2000. "Should America Save for its Old Age? Fiscal Policy, Population Aging, and National Saving," *Journal of Economic Perspectives* 14(3): 57-74.

Retirement and Labor Supply

Lawrence H. Thompson. 1998. "The Effect of Pensions on Labor Supply," Chapter 5 in *Older and Wiser: The Economics of Public Pensions*. The Urban Institute.

Robin Lumsdaine and Olivia S. Mitchell. 1999. "New Developments in the Economic Analysis of Retirement," in Orley Ashenfelter and David Card eds., *Handbook of Labor Economics* (3C): 3261-3307.

Gary Burtless and Robert Moffitt. 1984. "The Effect of Social Security Benefits on the Labor Supply of the Aged," in Henry Aaron and Gary Burtless, eds., *Retirement and Economic Behavior*. Washington, D.C.: Brookings Institution Press: 135-175.

Dora Costa. 1995. "Pensions and Retirement: Evidence from Union Army Veterans," *Quarterly Journal of Economics* 110(May): 297-319.

Peter Diamond and Jonathan Gruber. 1999. "Social Security and Retirement in the United States," in Jonathan Gruber and David E. Wise eds., *Social Security Programs around the World*. Chicago, IL: University of Chicago Press.

Gary Fields and Olivia S. Mitchell. 1984. "Economic Determinants of the Optimal Retirement Age: An Empirical Investigation," *Journal of Human Resources* 19(Winter): 245-262.

Andrew Samwick. 1998. "The Joint Effect of Social Security and Pensions on the Timing of Retirement: Some New Evidence," *Journal of Public Economics* (70): 207-236.

Joseph Quinn and Dora Costa. 1999. *Has the Trend Toward Early Retirement Reversed?* Boston College, Center for Retirement Research, mimeo.

Jonathan Gruber and Peter Orszag. 2000. *Does the Social Security Earnings Test Affect Labor Supply and Benefits Receipt?*, Center for Retirement Research Working Paper 2000-07.

Leora Friedberg. 1999. *Labor Supply Effects of the Social Security Earnings Test*, NBER Working Paper 7200.

Retirement Programs and Saving

William G. Gale. 1998. "The Effects of Pensions on Household Wealth: A Reevaluation of Theory and Evidence," *Journal of Political Economy* (August).

Eric M. Engen and William G. Gale. 2000. *The Effects of 401(k) Plans on Household Wealth: Differences Across Earnings Groups*, NBER Working Paper 8032.

Lawrence H. Thompson. 1998. "The Effect of Pensions on Saving and Investment," Chapter 4 in *Older and Wiser: The Economics of Public Pensions*. The Urban Institute.

William G. Gale, Eric M. Engen and Cori Uccello. 1999. "The Adequacy of Retirement Saving," *Brookings Papers on Economic Activity*.

James Poterba, Steven Venti and David E. Wise. 1996. "How Retirement Programs Increase Saving" *Journal of Economic Perspectives* 10(4).

Peter Diamond and Jerry A. Hausman. 1984. "Individual Retirement and Savings Behavior," *Journal of Public Finance* (23): 81-114.

Bodie, Zvi, Robert C. Merton, and William F. Samuelson, 1992, "Labor Supply Flexibility and Portfolio Choice in a Life Cycle Model," *Journal of Economic Dynamics and Control* 16, 427-449.

Allocation of Retirement Assets: Saving, Annuities, and Bequests

William G. Gale and John Karl Scholz. 1994. "Intergenerational Transfers and the Accumulation of Wealth," *Journal of Economic Perspectives* (Fall).

Steven Haider, Michael D. Hurd, Elaine Reardon and Stephanie Williamson. 2000. *Patterns of Dissaving in Retirement*, A Report Prepared for the AARP Public Policy Institute.

Olivia S. Mitchell, et al. 1999. "New Evidence on the Money's Worth of Individual Annuities," *American Economic Review* 89(5): 1299-1318.

Jeffrey R. Brown. 2000. *Are the Elderly Really Over-Annuitized? New Evidence on Life Insurance and Bequests*, NBER Working Paper 7193.

Alicia H. Munnell and Annika Sundén. Forthcoming 2001. *The Impact of the Bequest Motive on Living Standards in Retirement*, Boston College, Center for Retirement Research, mimeo.

The Social Security Program

The Theoretical Justification

Fast Facts & Figures about Social Security: 1999. Office of Research and Statistics, Social Security Administration.

Lawrence H. Thompson. 1998. "Reasons for Creating Mandatory Retirement Programs," Chapter 2 in *Older and Wiser: The Economics of Public Pensions*. The Urban Institute.

Peter Diamond. 1977. "A Framework for Social Security Analysis," *Journal of Public Economics* (8): 275-298.

Peter Diamond. 1997. "Macroeconomic Aspects of Social Security Reform," *Brookings Papers on Economic Activity* No. 2: 1-87.

Paul A. Samuelson. 1958. "An Exact Consumption-Loan Model of Interest With or Without the Contrivance of Money," *Journal of Political Economy* 66(6).

Martin Feldstein. 1985. "The Optimal Level of Social Security Benefits," *Quarterly Journal of Economics* 100(May): 300-320.

Defined Benefit versus Defined Contribution

Zvi Bodie, Alan J. Marcus and Robert C. Merton. 1988. "Defined Benefit versus Defined Contribution Plans: What are the Real Trade-offs?," Chapter 5 in Zvi Bodie, John B. Shoven and David E. Wise eds., *Pensions in the U. S. Economy*. Chicago, IL: University of Chicago Press.

Lawrence H. Thompson. 1998. "Choices of Pension Approaches and Transitions Between Approaches," Chapter 8 in *Older and Wiser: The Economics of Public Pensions*. The Urban Institute.

Lawrence H. Thompson. 1998 "Individual Uncertainty in Retirement Income Planning under Different Public Pension Regimes," in R. Douglas Arnold, Michael Graetz and Alicia H. Munnell eds., *Framing the Social Security Debate: Values, Politics, and Economics*. Washington, D.C.: Brookings Institution Press

Distributional Issues

Julia Lynn Coronado, Don Fullerton and Thomas Glass. 2000. *The Progressivity of Social Security*, NBER Working Paper 7520.

Alan L. Gustman and Thomas L. Steinmeier. 2000. *How Effective is Redistribution Under the Social Security Benefit Formula?*, NBER Working Paper 7597.

Reform Proposals

C. Eugene Steuerle and Jon M. Bakua. 1994. *Retooling Social Security for the 21st Century: Right and Wrong Approaches to Reform*. The Urban Institute Press.

John Geanakoplos, Olivia S. Mitchell and Stephen P. Zeldes. 1998. "Would a Privatized Social Security System Really Pay a Higher Rate of Return?," in R. Douglas Arnold, Michael Graetz and Alicia H. Munnell eds., *Framing the Social Security Debate: Values, Politics, and Economics*. The Brookings Press: 137-157.

Henry J. Aaron. 1999. "Social Security: Tune It Up, Don't Trade It In" in Henry J. Aaron and John B. Shoven, *Should the United States Privatize Social Security?* Cambridge, MA: The MIT Press.

Martin Feldstein and Andrew Samwick. 2000. *Allocating Payroll Tax Revenue to Personal Retirement Accounts to Maintain Social Security Benefits and the Payroll Tax Rate*, NBER Working Paper 7767.

Henry J. Aaron and Robert D. Reischauer. 1998. *Countdown to Reform: The Great Social Security Debate*. New York, NY: Century Foundation Press.

Douglas Elmendorf and Jeffrey Liebman. 2000. "Social Security Reform in an Era of Budget Surpluses" *Brookings Papers on Economic Activity* No. 2.

The Private Pension System

The Growth of 401(k) Plans

Alicia H. Munnell, Annika Sundén and Catherine Taylor. 2000. *What Determines 401(K) Participation and Contributions?* Center for Retirement Research Working Paper 2000-12.

Julie Agnew, Pierluigi Balduzzi and Annika Sundén. 2000. *Portfolio Choice, Trading, and Returns in a Large 401(k) Plan*. Center for Retirement Research Working Paper 2000-06.

Brigitte C. Madrian and Dennis F. Shea. 2000. *The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior*, NBER Working Paper 7682.

Lynch, Anthony W., and Pierluigi Balduzzi, 2000, "Predictability and Transaction Costs: The Impact on Rebalancing Rules and Behavior," *Journal of Finance* 55, 2285-2309.

Odean, Terrance, 1999, "Do investors trade too much?" *American Economic Review* 89, 1278-1298.

Bodie, Zvi, and Dwight B. Crane, 1997, "Personal Investing: Advice, Theory, and Evidence," *Financial Analysts Journal*, November/ December, 13-23.

The Future of Private Pensions

Daniel Halperin and Alicia H. Munnell. forthcoming 2001. "Assuring Retirement Income for All Workers," in William G. Gale, John B. Shoven and Mark J. Warshawsky eds., *The Evolving Pension System: Trends, Effects, and Proposals for Reform*. Brookings Institution Press.

Theodore R. Groom and John B. Shoven. forthcoming 2001. "Deregulating the Private Pension System," in William G. Gale, John B. Shoven and Mark J. Warshawsky eds., *The Evolving Pension System: Trends, Effects, and Proposals for Reform*. Brookings Institution Press.